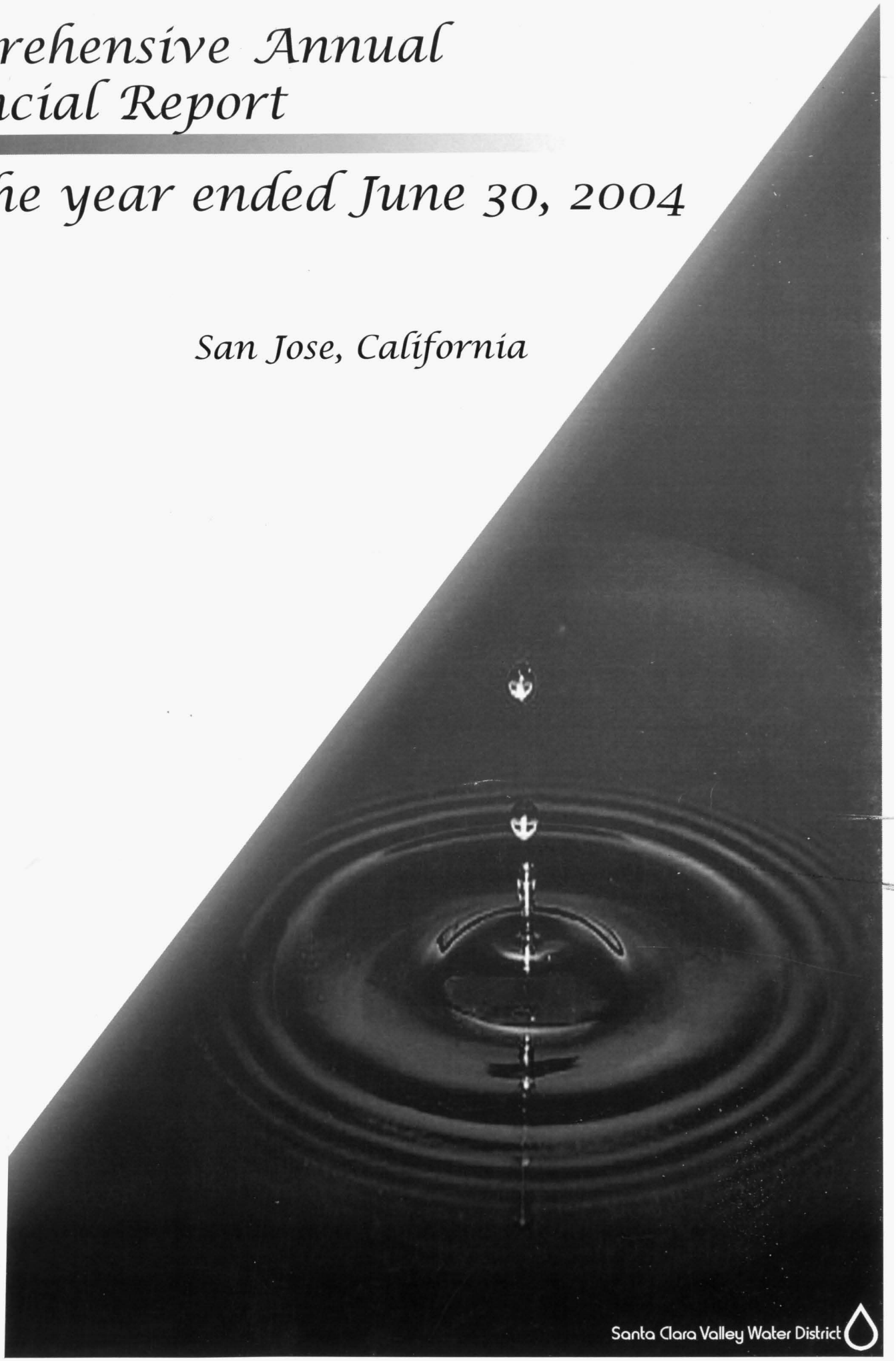
Comprehensive Annual Financial Report

For the year ended June 30, 2004

San Jose, California



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Santa Clara Valley Water District

San Jose, California

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

Prepared by the General Accounting Services Unit
Peter Ng, Deputy Administrative Officer
Najon Chu, Financial Services Unit Manager

SANTA CLARA VALLEY WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2004

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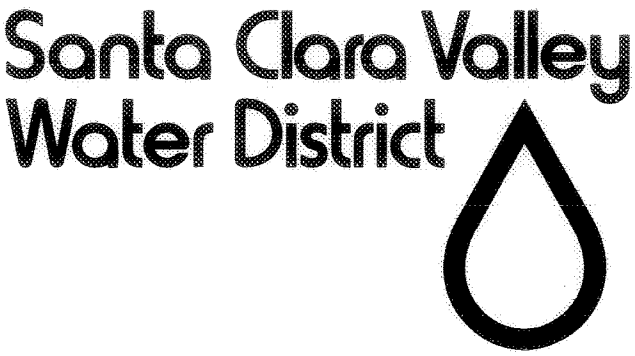
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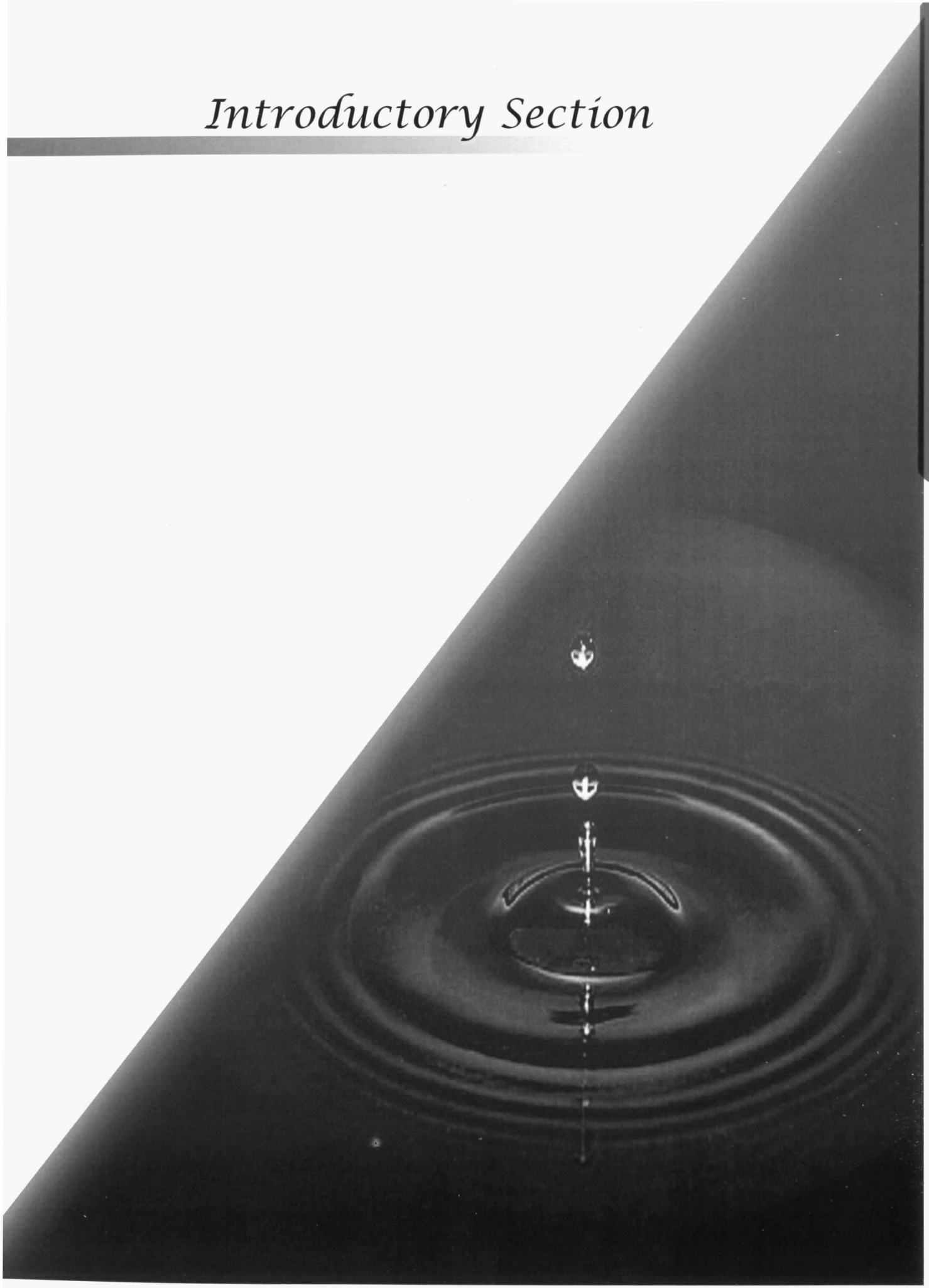
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Santa Clara Valley
Water District

Introductory Section



Santa Clara Valley Water District

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SAN JOSE, CA 95118-3686
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www.valleywater.org
AN EQUAL OPPORTUNITY EMPLOYER

December 16, 2004

TO THE BOARD OF DIRECTORS OF THE SANTA CLARA VALLEY WATER DISTRICT:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the Santa Clara Valley Water District (District) for the fiscal year ended June 30, 2004. The Comprehensive Annual Financial Report is prepared in accordance with Generally Accepted Accounting Principles in the United State of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). This is the fourth year the District's General Accounting Unit has prepared this report using the new reporting requirements as prescribed by GASB Statement No. 34. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various activities of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Maze & Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2004, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the District is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements but also on the District's internal controls and compliance over the administration of federal awards. The single audit review is typically completed after the audit of the financial statements and will be issued separately for the Board's acceptance.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

District Profile

The District traces its origins to the Santa Clara Valley Water Conservation District, approved by north county voters in 1929. Voters elsewhere in the County eventually formed similar agencies that later consolidated with the original District. Today's District represents a consolidation of four agencies. In 1954, the Central Santa Clara Valley Water Conservation District was annexed to the Santa Clara Valley Water Conservation District. With the 1968 merger of the Santa Clara Valley Water Conservation District and the Santa Clara County Flood Control and Water District, the agency adopted dual missions of providing water supply and flood protection. The South Santa Clara Valley Water Conservation District was renamed the Gavilan Water District in 1980, and upon south county voter approval was annexed to the Santa Clara Valley Water District in 1987. The merger's catalyst was the belief that a coordinated operation of the County's water supply and flood control systems would result in optimum water resource management.

Throughout its history of consolidations, the District has maintained a relationship with Santa Clara County. In 1952, County Supervisors initiated the valley's first flood protection program; they later expanded their efforts to include water importation. In 1968, the District and County decided to merge their water functions, and the governing boards of both agencies agreed the County supervisors would have a role in reviewing and approving the water district's annual budget. Serving in its primary role as a water resource management agency, the District encompasses all of the county's 1,300 square miles and provides services essential to the area's well being: water supply and flood protection.

The Santa Clara Valley Water District (District) operates as a State of California special district under the authority of the District Act (Stats. 1951, c.1405, p.3336, urgency, eff. July 10, 1951, as amended Stats. 1963, c.1941, p.3993, 1). The District is the primary water resources agency for Santa Clara County, California. It acts not only as the county's water wholesaler but also as its flood protection agency and is the steward for its streams and creeks, underground aquifers and district-built reservoirs. It is governed by a seven-member Board of Directors. Five members are elected from geographical areas which coincide with the county supervisorial districts, and two at-large members are appointed by the county Board of Supervisors. The mission of the District is a healthy, safe and enhanced quality of living in Santa Clara County through watershed stewardship and comprehensive management of water resources in a practical, cost-effective and environmentally sensitive manner.

Each year, the county residents and businesses use about 400,000 acre-feet of water, both treated water and groundwater. Approximately 80 percent of the water is delivered by 13 water retail agencies that service communities within the County via their own distribution systems. This demand requires the District to operate and maintain a complex delivery and treatment system that includes three drinking water plants, 10 reservoirs, a state-of-the-art water quality laboratory, 18 groundwater recharge facilities, three pump stations and more than 165 miles of canals, tunnels, and pipelines. As the primary wholesale

water supplier in Santa Clara County, the District is dedicated to assuring a reliable supply of healthy, clean drinking water. The District provides stream stewardship that encompasses managing flood and storm waters within the County and protecting watersheds and riparian corridors, thereby providing for public safety, and the protection of property and the natural environment along creeks and rivers, and at the edge of the San Francisco Bay. The District makes every effort to provide clean safe water in our creeks and bays; to provide, enhance, and restore creek and bay ecosystems, and to promote additional open space, trails and parks along creeks and in the watersheds.

The District maintains budgetary controls, the objectives of which are to ensure the compliance with legal provisions, embodied in the annually appropriated budget approved by the Board. Activities of the governmental funds and proprietary funds are included in the annual appropriated budget. Additionally, as a management tool, project-length financial plans are included in the annual Capital Improvement Plan. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, further limited by two categories, the operating budget (consisting of total operations, operating projects, and debt service) and the capital budget (consisting of capital project expenditures). Budget adjustments that increase or decrease revenue projections, appropriations or reserves of any fund require Board approval. Budget and actual comparisons are provided in this report for each fund for which an appropriated annual budget has been adopted. For governmental funds, this comparison is presented on page 72-77 as part of required supplementary information. For proprietary funds, this comparison is presented on page 81 and 86-87 as part of the combining and individual fund statements and schedules.

On February 23, 1999, the District Board of Directors (Board) approved the development of a variation of biennial budgets, called a Rolling Biennial Budget, with the first year serving as the adopted budget and the second year in place as a spending plan. At the end of the first year, a mid-cycle review of the second-year spending plan was required before adoption. The District's biennial budget serves as the foundation for financial planning and control. The objectives of a Rolling Biennial Budget are to stabilize operating expenditures from year to year, to ensure the operating expenditures are within generally agreed-upon levels, and to align operating and capital expenditures with fairly stable and predictable revenue sources. The District's budget process uses a goal-driven approach that spans the planning, development, adoption, and execution phases of the budget. These practices encourage the development of organizational goals, and the establishment of policies and plans to achieve these goals. The guidelines used by the District in developing this formal budget process are those recommended by the National Advisory Council on State and Local Budgeting, and the Government Finance Officers Association (GFOA). The Board adopted the fiscal years 2003/04 and 2004/05 (or FY 2003/05) biennial budget.

Factors Affecting Financial Condition

Local economy. Located in the heart of Silicon Valley, the local industry of Santa Clara County is dominated by the technology sector. Computer software, semiconductor, and computer hardware manufacturing, wholesale and services in particular, are some of the largest industry segments in terms of both annual receipts and employees. Driven by the weak national economy and a struggling local economy, the several key economic indicators, including total jobs, average pay, and venture capital investment have reduced to near 1998 levels following several years of record robust growth. The health services industry has shown the largest increase in job growth and the medical device and equipment companies have shown an increase in their share of total venture capital funding (Source: Joint Ventures 2004 Index of Silicon Valley).

The District receives an allocated share of the 1 percent countywide ad valorem property tax since the adoption of Article XIIIA (Proposition 13) in 1978. Property tax revenue for fiscal year 2003/04 constitutes about 43 percent of the District's governmental funding sources. The total assessed value, net of homeowner exemption value, of Santa Clara County in fiscal year 2004/05 increased by 2.2 percent to $222.4 billion, up from $217.5 billion in fiscal year 2003/04. This is the lowest growth rate assessment roll in a decade (Source: 2004/2005 Annual Report, Office of County Assessor). Commercial and industrial property values continue to decline while residential property has stabilized.

Due to the State of California continuing deficits, no new state subventions are expected to flow to local governments in the foreseeable future. Indeed, there is a greater likelihood that local resources could be appropriated.

Long-term planning. During FY 99/00 the Board implemented a new form of board governance centering upon their role as policy makers establishing desired outcomes in key areas of responsibility. The Board focused its attention on policy setting in the areas of providing a reliable supply of healthy and clean drinking water; adequate water supply; groundwater basin protection; recycling; flood protection; enhanced quality of life; watersheds and stream natural resource protection; and open space. Among those policies are provisions that define the Board's expectations and results (Ends Policies) for the above areas that emphasize public health and safety, water supply, protection from flooding, and quality of life in Santa Clara County.

The District moved to a two-year budget to demonstrate to the community a commitment to financial responsibility and long-term planning. The initial development of the rolling biennial budget relied upon guidance from several long-range planning documents and processes including the original five-year Capital Improvement Plan, the Water Utility Business Plan, the Flood Protection Business Plan, and the Priority Setting Matrix.

Meeting future water needs is another important consideration in long-term planning. Recycled water use accounted for about 2.3 percent of the total use in calendar year 2003. The goal is to have recycled water account for ten percent of total use by the year 2020. The South Bay Water Recycling Program is currently delivering over 7,200 acre-feet per year of recycled water to over 400 customers. The Silver Creek Pipeline will deliver an additional 4000 acre-feet per year (according to the City of San Jose) of recycled water to Metcalf Energy Center (MEC) once its construction is completed. Above and beyond MEC, the Silver Creek Pipeline has the capacity that can deliver up to an additional 3,000 acre-feet of recycled water to meet future demands in Coyote Valley. Staff has been investigating the feasibility of a cooperative demonstration garden using recycled water to increase the usage of recycled water and to promote water use efficiency in landscaping. Additionally, the District is evaluating potential investments in future recycled water facilities as part of recycled water master planning.

In November 2000, Santa Clara County voters approved a 15-year special parcel tax to fund the District's countywide Clean, Safe Creeks and Natural Flood Protection Program. The levy of this special parcel tax became effective July 1, 2001 and is based on proportionate storm water runoff. The 15-year plan is a part of the Comprehensive Flood Protection and Stream Stewardship Program that emphasizes working with rivers and floods rather than against them.

The current 15-year Capital Improvement Plan serves as the District's long-term capital investment plant. It is a tool for staff to plan and make recommendations to the Board on key financial commitments to construct new facilities. The estimated capital investment for the District, from FY 2004 to FY 2016, to complete current and planned future capital projects is $1,413.6 million. Of the estimated total investments, $245.5 million have been appropriated by the Board of Directors in previous years; $125.0 million and $120.5 million are newly appropriated in FY 2003/04 and 2004/05, respectively.

There are many other projects not in the Capital Improvement Plan that are in the planning phase. These projects may include a wide range of potential program costs and facility investments. However, the District's share of this cost is uncertain as it is unclear what level of service is desired from customers. One significant project on the horizon is the development of an area in the southern portion of Santa Clara County, known as Coyote Valley. Decisions on the primary land use in this area will have an impact on the overall economic makeup in Santa Clara County.

Cash management policies and practices. The Board adopted an investment policy with objectives to (1) preserve and safeguard principal, (2) provide liquidity for the prompt payment of claims and expenses, and (3) provide yield. The provisions of the California Government Code were also incorporated into this policy. Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, commercial paper, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of U.S. Government Agencies, medium term notes, mutual funds, and the State of California Local Agency Investment Fund. All securities purchased were held by the District's third party safekeeping agent. As of June 30, 2004 approximately 71 percent of the District's idle funds were invested in obligations of U.S. Government Agencies, 3 percent invested in U.S. Treasury obligations, 12 percent in medium term notes, and 14 percent invested among guaranteed investment contracts, mutual funds and others. The portfolio yield for the year averaged 3.30 percent which compares favorably to the average yield of 1.38 percent for 12 month U.S. Treasury Bills for the same period. Investment income includes the decline in the fair value of investments.

Changes in fair value during the current year do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

Risk management. The District's risk management program is responsible for managing the District's insured and self-insured programs, and providing consulting services to all divisions regarding identifying, controlling, transferring, or eliminating exposure to loss from general liability, property loss, and worker's compensation claims. Actuarial studies are performed biennially for the self-insured liability and workers' compensation programs and reserves are funded at the 95th percentile confidence level, assuming a long-term average annual return on investments of 5%. Additional reserves are maintained for catastrophic losses and uninsured exposures. Individual case reserves for liability and workers' compensation are periodically reviewed during each fiscal year for appropriateness in relation to evolving developments. The District's self-insured retention for Workers' Compensation increased from $250,000 to $500,000 per occurrence, effective February 1, 2002. The Liability self-insured retention remained the same at $2 million per occurrence. Additional information on the District's risk management activity can be found in Note 12 of the notes to basic financial statements.

Awards and Acknowledgements

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a CAFR for Excellence in Financial Reporting to Santa Clara Valley Water District for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This is the seventh consecutive year that the District has received this prestigious award. In order to be awarded a CAFR Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the District also received the GFOA's Distinguished Budget Presentation Award for the biennium beginning July 1, 2003, the latest submission. This is the fourth consecutive biennium budget year that the District has received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the District's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this CAFR represents the culmination of months of concerted team effort by diverse District staff, including team members from General Accounting, Financial Services, Public Information, Risk Management, Information Systems Services, Information Technology, Business Support Services, and District Counsel. Many team members demonstrated a high degree of personal dedication and determination in producing this exemplary document.

In addition, special thanks to District staff in all groups for responding so positively to the requests for detailed information that accompanies each annual audit. The role of Maze & Associates is also acknowledged for the significant technical contribution and unlimited patience.

Special thanks goes to Najon Chu, Financial Services Unit Manager, and the following staff: Robert Edris, Senior Accountant; Nancy Tien, Accountant II; Guy Canha, Accountant II; Fanny Chan, Accountant II; Norma Grasso, Accountant I; Christine Wood, Senior Accountant; Charlene Forstner, Senior Accountant; Joseph Atmore, Debt Financing Officer; and Linda Louie, Assistant Engineer II, for their talent and dedication in preparing this financial report.

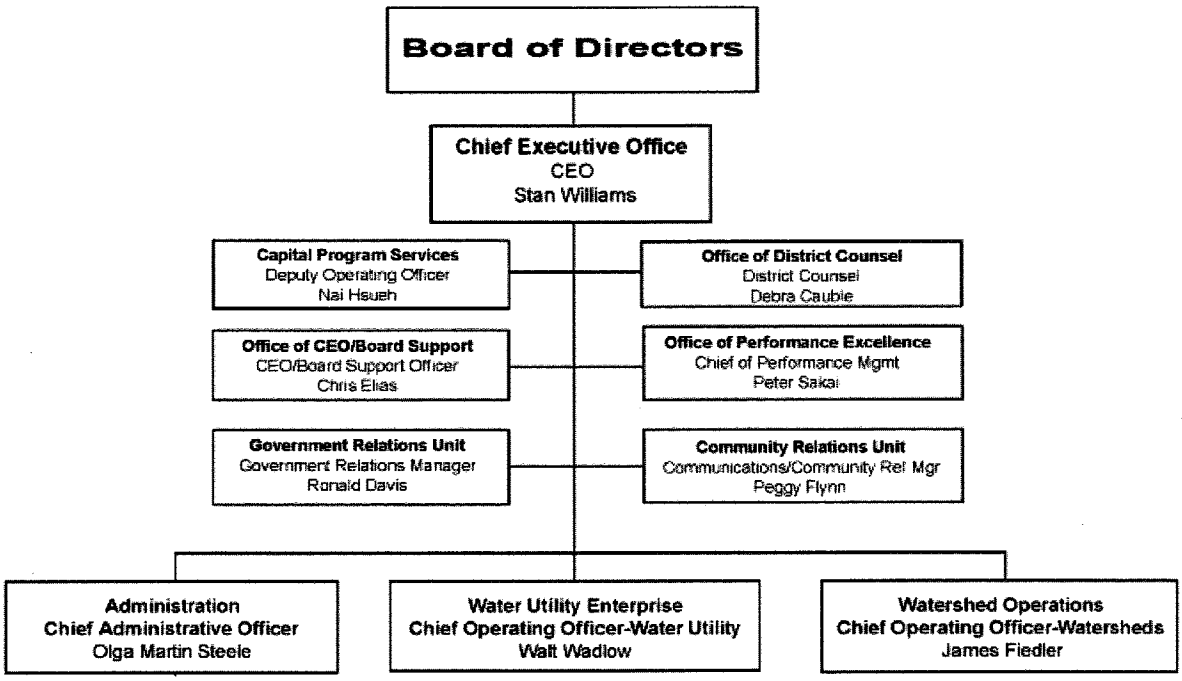
Finally, we wish to express our sincere appreciation to the District's Board of Directors and management for providing policy direction and a firm foundation of support for pursuit of excellence in all realms of professional endeavors.

Peter Ng,
Deputy Administrative Officer
Office of Financial Services Division

Olga Martin Steele,
Chief Administrative Officer

Stanley M. Williams,
Chief Executive Officer

Santa Clara Valley Water District
Board of Directors
& Executive Management



SANTA CLARA VALLEY WATER DISTRICT
DIRECTORY OF OFFICIALS
2003-2004

BOARD OF DIRECTORS

Joe Judge, Chair	District 2
Richard P. Santos, Vice Chair	District 3
Rosemary C. Kamei	District 1
Larry Wilson	District 4
Gregory A. Zlotnick	District 5
Tony Estremera	At Large
Sig Sanchez	At Large

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Santa Clara Valley Water District, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

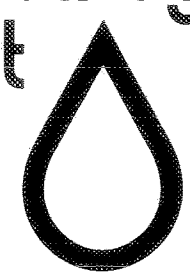
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zielke
President

Jeffrey R. Esser
Executive Director

Santa Clara Valley
Water District



Financial Section



MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
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INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

To the Honorable Members of the Board of Directors of the
Santa Clara Valley Water District
San Jose, California

We have audited the basic financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Santa Clara Valley Water District, California as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Santa Clara Valley Water District, California as of June 30, 2004 and the respective changes in the financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated November 10, 2004 on our consideration of the District's internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on Budgetary Basis are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Combining and Individual Fund Statements and Schedules listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Statistical and Introductory Sections were not audited by us and we express no opinion on them.

Maze & Associates

November 10, 2004

Management's Discussion and Analysis

Our discussion and analysis of the Santa Clara Valley Water District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2004. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

- The total net assets of the District exceeded its liabilities by $1,454.2 million. Of this amount, $344.1 million (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net assets increased by $100.2 million during the current fiscal year. The net assets of our governmental activities increased by $62.8 million and net assets of our business-type activity increased by $37.4 million.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $307.0 million, a decrease of $47.0 million in comparison with the prior year fund balances of $354.0 million.
- At the end of the current fiscal year, unreserved fund balance for the general fund was $31.3 million or 326.0 percent of total general fund expenditures of $9.6 million.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by GASB Statement No. 34.

Government-wide financial statements. The government-wide financial statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguished functions of the District that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business–type activity)*. The governmental activities of the District include general government, watershed management, debt service and construction funding. The business-type activity includes the water utility operation.

The government-wide financial statements include not only the District itself (known as the primary government), but also a legally separate Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) for which the District is financially accountable. Financial information for this blended component unit is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. Additional information on this legally separate entity can be found in Note 1(b) in the notes to basic financial statements.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other special districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. The District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's projects. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

Proprietary funds. The District maintains two-different types of proprietary funds: enterprise funds and internal service funds. Proprietary funds are reported using the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activity in the government-wide financial statements but provide more detail and additional information. The District uses an enterprise fund to account for its water utility operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its fleet of vehicles and computer equipment, and for its risk management activities. The internal service funds have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 41-69 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by $1,454.2 million at the end of the current fiscal year.

Santa Clara Valley Water District's Net Assets

(Dollars in Thousands)

	Governmenntal Activities		Business-type Activity		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 395,065	$ 425,011	$ 152,710	$ 193,107	$ 547,775	$ 618,118
Capital assets	758,771	675,165	503,297	433,864	1,262,068	1,109,029
Total assets	1,153,836	1,100,176	656,007	626,971	1,809,843	1,727,147
Current liabilities	37,892	39,501	28,278	23,107	66,170	62,608
Long-term liabilities outstanding	203,299	210,832	86,159	99,707	289,458	310,539
Total liabilities	241,191	250,333	114,437	122,814	355,628	373,147
Net assets:						
Investment in capital assets, net of related debt	587,667	505,218	382,192	300,872	969,859	806,090
Restricted	81,137	16,289	59,138	12,442	140,275	28,731
Unrestricted	243,841	328,336	100,240	190,843	344,081	519,179
Total net assets	$ 912,645	$ 849,843	$ 541,570	$ 504,157	$ 1,454,215	$ 1,354,000

By far the largest portion of the District's net assets (66.7 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to citizens and consumers; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Investment in capital assets, net of related debt increased by $82.4 million in the governmental activities in connection with ongoing flood control projects and the Clean, Safe Creeks and Natural Flood Protection Program that was approved with passage of Measure B in November 2000. The increase of $81.3 million in the business-type activity was primarily due to ongoing major water treatment plant improvements.

An additional portion of the District's net assets (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of $111.5 million came primarily from the District's evaluation of assets which are restricted by external creditors and bond covenants. Had the same interpretation been in effect for prior years, the restricted net asset would have been $208.6 million higher in fiscal year 2002/03.

The balance of unrestricted net assets may be used to meet the District's ongoing obligations to citizens, customers, and creditors. The District's unrestricted net assets decreased by 33.7 percent, $175.1 million, during the current year. The decrease came primarily from the expenditures on ongoing capital project and the District's evaluation of restricted assets.

Santa Clara Valley Water District's Changes in Net Assets

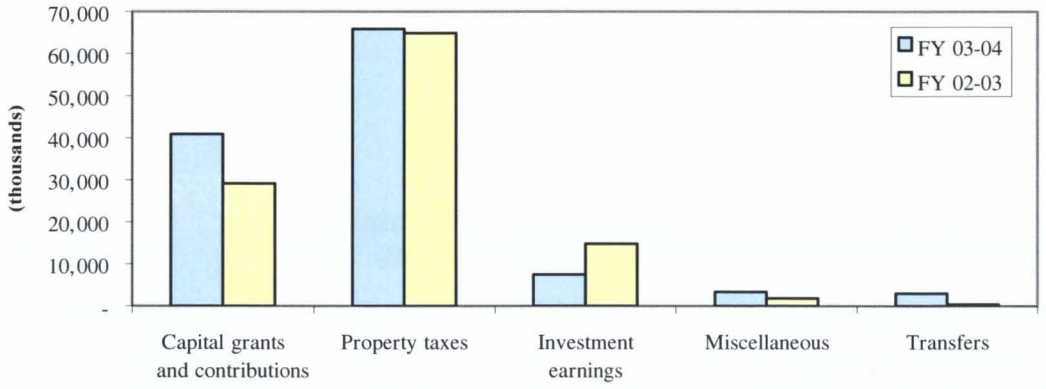
(Dollars in Thousands)

	Governmental Activities		Business-type Activity		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ -	$ -	$ 108,565	$ 94,551	$ 108,565	$ 94,551
Operating grants and contributions	-	-	3,412	2,220	3,412	2,220
Capital grants and contributions	40,936	29,149	6,304	1,505	47,240	30,654
General revenues:						
Property taxes	65,954	64,895	19,548	16,239	85,502	81,134
Investment earnings	7,501	14,834	2,369	7,281	9,870	22,115
Miscellaneous	3,384	1,810	4,987	1,068	8,371	2,878
Total revenues	117,775	110,688	145,185	122,864	262,960	233,552
Expenses:						
General government	15,553	7,393	-	-	15,553	7,393
Watersheds	34,034	32,734	-	-	34,034	32,734
Interest on long-term debt	8,406	11,847	-	-	8,406	11,847
Water enterprise	-	-	104,752	105,871	104,752	105,871
Total expenses	57,993	51,974	104,752	105,871	162,745	157,845
Increase in net assets before transfers	59,782	58,714	40,433	16,993	100,215	75,707
Transfers	3,020	354	(3,020)	(354)	-	-
Increase in net assets	62,802	59,068	37,413	16,639	100,215	75,707
Net assets, beginning	849,843	790,927	504,157	524,262	1,354,000	1,315,189
Prior period adjustment	-	(152)	-	(36,744)	-	(36,896)
Net assets, ending	$ 912,645	$ 849,843	$ 541,570	$ 504,157	$ 1,454,215	$ 1,354,000

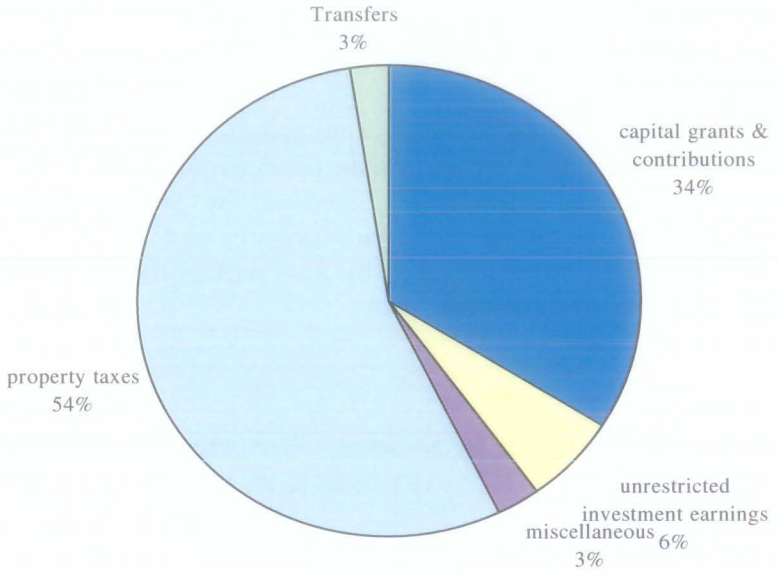
Governmental activities. Governmental activities increased the District's net assets by $62.8 million, thereby accounting for 62.7 percent of the total growth in net assets of the District. Key elements of this increase are as follows:

- Capital grants and contributions increased $11.8 million representing outstanding commitments from the State of California Department of Water Resources and the Natural Resources Conservation Service.
- Investment income decreased by $7.3 million, 49.4 percent, primarily from the lower market value and lower interest rates.
- Transfers in from the District's business-type activity for reimbursement of capital project expenditures was $2.7 million higher than the previous year.
- The general government expenditures increased by $8.2 millions due mainly to its proportional allocation of the internal service increased costs.
- Interest on long-term debt was reduced by $3.4 million due to refunding debt at a lower interest rate and lowering outstanding debt.

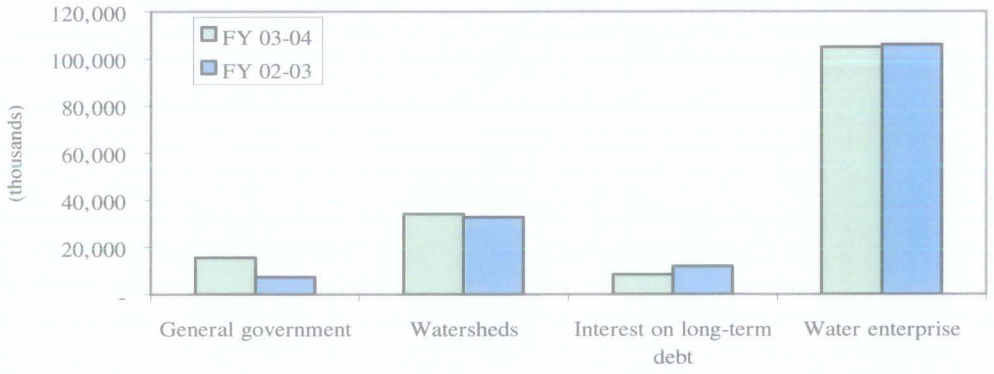
Revenues by Sources - Governmental Activities
(FY 03-04 & FY 02-03)



Revenues by Sources – Governmental Activities
(FY 03-04)



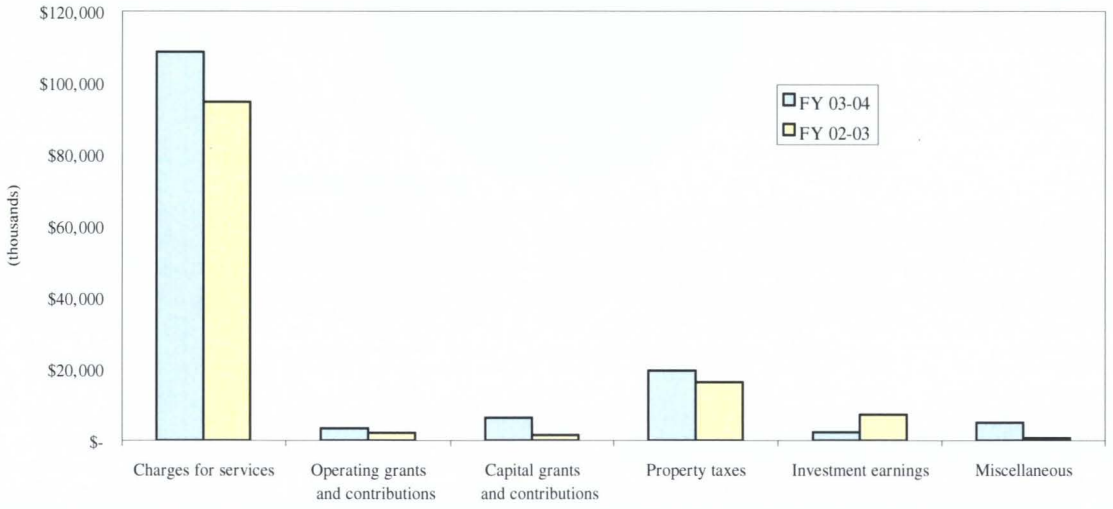
Expenses by Programs
(FY 03-04 & FY 02-03)



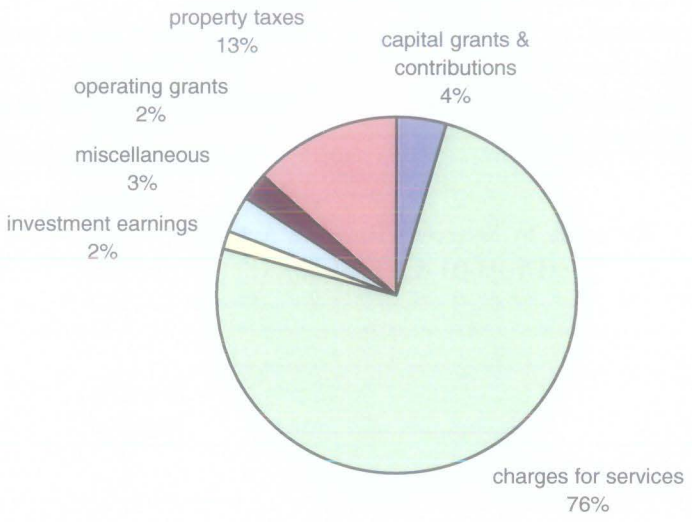
Business-type activity. Business-type activity increased the District's net assets by $37.4 million, thereby accounting for 37.4 percent of the total growth in net assets of the District. Key elements of this increase are as follows.

- Charges for services for business-type activity only increased by $14.0 million, 14.8 percent, during the year, reflecting increased water rates and usage.
- Capital grants and contributions increased by $4.8 millions from funds received from the State of California Department of Water Resources.
- Investment income decreased by $4.9 million, 67.5 percent, primarily from the decrease in market value and lower interest rates.

Revenues by Sources - Business Activity
(FY 03-04 & FY 02-03)



Revenues by Source – Business Activity
(FY 03-04)



Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. As of the end of the fiscal year 2003/04, the District's governmental funds reported combined ending fund balances of $307.0 million, a decrease of $47.0 million in comparison with the prior year. Approximately 65.7 percent of the total amount ($201.8 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period ($67.7 million); 2) to pay debt service ($16.0 million); or 3) restricted to use for specified capital projects ($21.5 million).

The General Fund is the chief operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was $31.3 million, while total fund balance was $35.6 million. Operations and operating projects expenditures decreased by 20.7 percent ($1.9 million) over the prior year due to increase in the allocation of intra-district overhead reimbursement. Capital improvement projects expenditures increased by $0.5 million due to on-going projects.

The special revenue funds are used to account for specific revenue sources for which expenditures are restricted by law or regulation to finance particular watershed functions or activities of the District. During the current year, investment income decreased by $6.9 million, 73.4 percent, primarily due to lower interest rate and market value decrease. Operations and operating projects increased by $16.8 million (72.2 percent) from the prior year primarily due to increased activity in the Watershed & Stream Stewardship fund and overall increase in expenditures. Capital improvement projects increased by $13.5 million (21.5 percent) due to ongoing 15-year flood protection plan. At the end of the current fiscal year, unreserved fund balance of the special revenue funds was $23.8 million while total fund balances reached $307.0 million.

The debt service fund has a total fund balance of $16.0 million, all of which is reserved for the payment of debt service. The net fund balance decreased in the debt service fund by $4.6 million primarily due to normal debt payment and defeasing the balance of the 1994 certificates of participation.

The capital projects fund is used to account for resources used for the acquisition or construction of major capital projects within the governmental fund types. It has total fund balance of $21.6 million all of which is reserved for the payment of capital related expenditures. The net fund balance decreased in the capital projects fund by $9.4 million primarily due to the transfers out to the special revenue funds.

Proprietary funds. The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Enterprise fund. The water enterprise is a fund that accounts for operations in a manner similar to a private business enterprise. Operations are accounted for in such a manner as to show net income or loss and the fund is intended to be entirely or predominantly self supported from user charges.

Unrestricted net assets of the Water Enterprise fund at the end of the year amounted to $100.2 million. The total reduction in net assets for the fund was $37.4 million during the year, mainly due to continued construction on several major capital projects. Ground water sales increased by $10.1 million, 28.2 percent, while treated water sales increased by $4.7 million, 8.2 percent due to a shifting from groundwater to treated water driven by favorable treated water pricing relative to groundwater. Other factors concerning the finances of the fund have already been addressed in the discussion of the District's business-type activity.

Internal Service Funds. The District has two internal service funds, the Equipment Fund and the Risk Management Fund. Revenues to the funds are generated from fees charged to the District operating programs for services provided.

The Equipment Fund charges replacement and maintenance costs to all operations, operating, and capital projects based on equipment assignment or hourly usage of equipment on projects. Operating revenues in the Equipment Fund for the fiscal year ended June 30, 2004 was 30.5 percent lower than the previous year due to a decrease in service charges. Equipment maintenance costs and depreciation expenses remain stable during the year so the net operating income in the current year decreased by $2.4 million. Non-operating revenues decreased 76.3 percent due to lower investment income and market values; and decreased gain on sales of assets. Transfers-in decreased $0.7 million during the year.

The Risk Management Fund charges premiums based on exposure levels by project for liability, property, worker's compensation and self-insurance costs. Operating loss increased by $3.6 million primarily due to an actuarial increase in insurance claims payable. Investment income decreased $0.4 million due to lower interest rates and decreases in market value.

Government Funds Budgetary Highlights

Comparing the FY 2003/04 original budget (or adopted) General Fund amount of $52,099,000 to the final budget amount of $75,153,000 shows a net increase of $23,054,000. Included with the original budget is $17,983,000 of prior FY 2002/03 capital projects approved to carryforward into FY 2003/04 and $4,574,000 in committed purchase orders from the prior June 30 balance, also carried forward. Thereby, bringing the beginning budget balance equal to $74,656,000.

Adopted Budget	+ Capital Projects Carryforward	+ Prior Year Encumbrances	= Beginning Balance	+ Supplemental Changes	= Final Budget
$52,099,000	17,983,000	4,574,000	74,656,000	497,000	$75,153,000

Comparing the beginning budget of $74,656,000 to the final budget of $75,153,000 shows the General Fund supplementary budgetary appropriations totaling $497,000 for the fiscal year.

The supplemental General Fund appropriation changed due mainly to a budget adjustment for the acquisition of a parcel of land.

Prior year operating and operations projects encumbrances are not included in the Schedule of Revenues, Expenditures and Change in Fund Balances – Budget and Actual on a Budgetary Basis which begins on page 72. The total general fund budget of $75,153,000 has been reduced by $2,535,000 equaling $72,618,000 for the prior year operating and operations projects encumbrances for the budgetary schedules.

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to $1,262.1 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, structures and improvements (which includes the flood control improvement), machinery and equipment. During FY 2003/04 the total increase in the District's investment in capital assets for the current year was 13.8 percent (a 12.4 percent increase for governmental activities and a 16.0 percent increase for business-type activity).

Major capital projects in progress during the current fiscal year include the following:

• Almaden Campus Solar Project	$2,478,000
• ISMP Enterprise Resource Plan	2,553,000
• Adobe Creek – El Camino/Foothill	3,870,000
• Matadero/Barron Creek Remediation	8,868,000
• Guadalupe River UPRR to I880	20,842,000
• Coleman Ave to New Julian	4,284,000
• Lower Silver Creek/McKee/I680 Reach	13,503,000
• Upper Guadalupe River Reach	4,445,000
• San Luis Bypass / Storage	3,892,000
• PWTP Treated Water Improvement Plan	28,391,000
• STWTP Treated Water Improvement Plan	23,088,000
• RWTP Treated Water Improvement Plan	5,735,000

Santa Clara Valley Water District's Capital Assets
(net of depreciation)
(Dollars in Thousands)

	Governmental activities		Business-type activity		Total	
	2004	2003	2004	2003	2004	2003
Land	$105,976	$105,976	$17,059	$17,059	$123,035	$123,035
Contract water and storage rights	-	-	56,321	56,954	56,321	56,954
Buildings	32,586	33,306	24	24	32,610	33,330
Structures and improvements	332,995	330,371	221,871	226,687	554,866	557,058
Equipment	12,299	11,946	7,225	5,710	19,524	17,656
Construction in progress	274,915	193,566	200,797	127,430	475,712	320,996
Total	$758,771	$675,165	$503,297	$433,864	$1,262,068	$1,109,029

Additional information on the District's capital assets can be found in note 6 which begins on page 52 of this report.

Debt Administration

At the end of the current fiscal year, the District had total debt outstanding of $294.0 million. This District's long-term obligations outstanding as of June 30, 2004 consisted of the following:

Santa Clara Valley Water District's Outstanding Obligations

(Dollars in Thousands)

	Governmental activities		Business-type activity		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	$ -	$ 215	$ 5,835	$ 7,040	$ 5,835	$ 7,255
Certificates of partication	195,265	203,670	-	-	195,265	203,670
Revenue bonds	-	-	56,402	62,971	56,402	62,971
Compensated absences	10,642	9,843	-	-	10,642	9,843
Semitropic water banking	-	-	28,506	29,696	28,506	29,696
Deferred amount on refunding	(6,534)	(4,991)	-	-	(6,534)	(4,991)
Premium on refunded debt	3,926	2,095	-	-	3,926	2,095
Total	$203,299	$210,832	$ 90,743	$ 99,707	$294,042	$310,539

The District's total obligations decreased by $16.5 million during the fiscal year. The decrease in obligations was from the normal repayment of principal on existing outstanding debt.

The rating of the District's certificates of participation series from Moody's ranges from Aaa to Aa2 and from Standard & Poor's from AAA to AA-. The revenue bonds of the Water Enterprise Fund have a bond rating from Moody's ranging from Aa to Aa3 and from Standard & Poor's from AA to AA-.

Additional information on the District's long-term debt can be found in note 7 on pages 53–59 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Budget outlines the staff's plan to carry out the District's mission, "...a healthy, safe and enhanced quality of living in Santa Clara County through watershed stewardship and comprehensive management of water resources in a practical, cost-effective and environmentally sensitive matter."

A product of an ongoing examination of how the District does business, our budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

In considering the District budget addendum for fiscal year 2004/05 the Board of Directors and management used the following estimates:

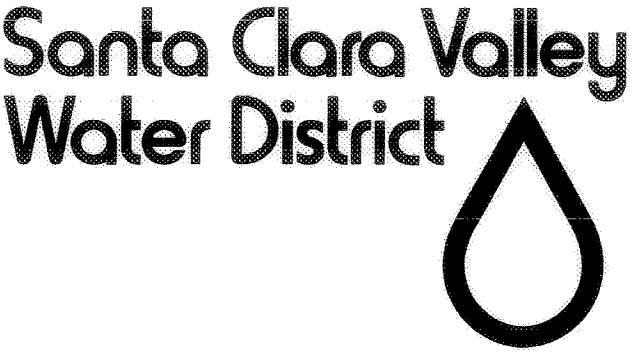
- Water revenue is expected to increase by 8.0 percent over the FY 2003/04 adjusted budget based on the water rates adopted by the District's Board of Directors and increased sales of water. Water rates increased 8 percent in North County and 25 percent in South County. The Water Utility rates are based on cost containment efforts, reprioritization of capital projects, and re-evaluation of debt financing alternatives.

- Due to the downward assessment of commercial property valuation and negative growth in unsecured property, general property tax collections are expected to slow to about 1.65 percent, a growth rate less than half that experienced in recent years.
- The slow economic recovery and decreasing cash reserves have yielded lower interest earnings. These earnings are expected to be 38 percent lower than the FY 2003/04 level.
- No new state subventions for flood control are expected to flow to local governments in the near future.
- State reduction proposals estimates at $11 million in lower ad valorem property tax revenue from the Watershed, Water Utility, and General funds.
- The cost of state water purchases are expected to increase 24 percent mainly due to incremental costs associated with the repair of the south bay aqueduct and one-time costs associated with the establishment of an energy fund. Federal water purchases are anticipated to increase 63 percent due to contract renewal.
- The employer contribution to the California Public Employees Retirement System is budgeted to increase by $5.7 million in FY 2004/05.
- In FY 2004/05, employee health benefits are expected to be $3.1 million above FY 2003/04. These costs are expected to continue rising at a rate of 15% in future years.
- It is expected that the District will spend $2.8 million on the perchlorate response program in FY 2004/05. The District intends to seek reimbursement from responsible parties.

The District Board has adopted clear policies directing the CEO to not spend extravagantly, inefficiently, or more costly than necessary. The CEO has initiated a SMART Business Program which attempts to improve business efficiency and excellence. This program includes seeking certification in the ISO 9001:2000/14001 quality management program; certification in the Green Business program; and business excellence through attainment of the California Awards for Performance Excellence/Baldridge award.

Requests for Information

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors, with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the General Accounting Unit at 5750 Almaden Expressway, San Jose, CA 95123, or phone (408) 265-2600.


Santa Clara Valley
Water District

BASIC FINANCIAL STATEMENTS

SANTA CLARA VALLEY WATER DISTRICT

Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and investments (Note 3)	$ 301,576	$ 109,959	$ 411,535
Restricted cash and investments (Note 3)	41,026	12,480	53,506
Receivables (net):			
Accounts	1,393	22,290	23,683
Interest	3,701	20	3,721
Taxes	223	84	307
Due from other governments (Note 4)	39,032	153	39,185
Deposits and other assets	8,823	5,712	14,535
Internal balances	(2,012)	2,012	-
Deferred charges	1,303	-	1,303
Capital assets (Note 6):			
Contract water and storage rights, net	-	56,321	56,321
Nondepreciable	380,891	217,856	598,747
Depreciable, net	377,880	229,120	607,000
Total assets	1,153,836	656,007	1,809,843
LIABILITIES			
Accounts payable	11,994	13,297	25,291
Accrued liabilities	2,565	1,739	4,304
Commercial paper, net of discount (Note 7a)	-	2,547	2,547
Deposits payable	13,391	5,778	19,169
Accrued interest payable	3,120	327	3,447
Deferred revenue	-	6	6
Claims payable (Note 12)	6,822	-	6,822
Noncurrent liabilities (Note 7):			
Due within one year	9,445	2,292	11,737
Due in more than one year	193,854	88,451	282,305
Total liabilities	241,191	114,437	355,628
NET ASSETS (Note 9)			
Investment in capital assets, net of related debt	587,667	382,192	969,859
Restricted for:			
Debt service	13,066	6,902	19,968
Encumbrances	68,071	30,878	98,949
Restricted asset	-	5	5
Debt proceeds	-	5,251	5,251
Working capital	-	9,974	9,974
San Felipe operations	-	3,128	3,128
Rate stabilization	-	3,000	3,000
Unrestricted	243,841	100,240	344,081
Total net assets	$ 912,645	$ 541,570	$ 1,454,215

See accompanying notes to basic financial statements

SANTA CLARA VALLEY WATER DISTRICT

Statement of Activities
For the Year Ended June 30, 2004
(Dollars in Thousands)

Function	Governmental Activities				Business-Type Activity	
	General Government	Watersheds	Interest on Long-term Debt	Total	Water Enterprise	Total
Expenses:						
Operations and operating projects	$ 15,553	$ 34,033	$ 8,406	$ 57,992	$ 104,752	$ 162,744
Program revenues:						
Charges for services	-	-	-	-	108,565	108,565
Operating grants and contributions	-	-	-	-	3,412	3,412
Capital grants and contributions	-	40,936	-	40,936	6,304	47,240
Net program revenue (expense)	$ (15,553)	$ 6,903	$ (8,406)	(17,056)	13,529	(3,527)
General revenues:						
Property taxes (Note 8)				65,954	19,548	85,502
Unrestricted investment earnings				7,501	2,369	9,870
Gain on sale of capital assets				4	-	4
Miscellaneous				3,379	4,987	8,366
Transfers				3,020	(3,020)	-
Total general revenues and transfers				79,858	23,884	103,742
Change in net assets				62,802	37,413	100,215
Net assets, beginning of year				849,843	504,157	1,354,000
Net assets, end of year				$ 912,645	$ 541,570	$1,454,215

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004
(Dollars in Thousands)

	General	Watershed & Stream Steward	Lower Peninsula Watershed	West Valley Watershed	Guadalupe Watershed
ASSETS					
Cash and investments (Note 3)	$ 38,157	$ 15,867	$ 30,080	$ 14,712	$ 54,797
Restricted cash and investments (Note 3)	-	-	-	-	3,452
Receivables:					
Accounts	1,390	-	-	-	2
Interest	3,536	-	-	-	-
Taxes	20	59	23	27	47
Due from other governments (Note 4)	-	-	-	-	18,618
Due from other funds (Note 13)	-	-	-	-	-
Advance to other funds (Note 13)	-	-	-	-	-
Deposits and other assets	156	-	710	7	6,770
Total assets	$ 43,259	$ 15,926	$ 30,813	$ 14,746	$ 83,686
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,662	$ 614	$ 2,233	$ 113	$ 2,559
Accrued liabilities	936	16	110	1	55
Deposits payable	160	-	710	67	11,308
Due to other funds (Note 13)	363	667	-	-	-
Deferred revenue (Note 4)	898	-	-	-	18,618
Advance from other funds (Note 13)	2,618	1,335	-	-	-
Total liabilities	7,637	2,632	3,053	181	32,540
Fund balances (Note 9):					
Reserved for:					
Encumbrances	4,338	3,577	8,157	546	27,026
Debt service	-	-	-	-	-
Debt proceeds	-	-	-	-	-
Unreserved, designated for:					
Specific purpose	3	-	-	-	-
Operating contingencies	224	118	122	117	175
Working capital	1,636	4,544	4,706	4,513	6,714
Compensated absences	10,642	-	-	-	-
PERS stabilization	1,406	732	66	119	252
Newly Improved Creek Maintenance	-	-	-	-	-
Other CSC Operations Activities	-	-	-	-	-
Capital projects:					
Capital assets	1,224	-	-	-	-
Current authorized projects	13,284	1,457	12,980	7,219	15,399
Future capital projects	2,865	2,866	1,729	2,051	1,580
Total fund balances	35,622	13,294	27,760	14,565	51,146
Total liabilities and fund balance	$ 43,259	$ 15,926	$ 30,813	$ 14,746	$ 83,686

Coyote Watershed	Uvas/Llagas Watershed	Clean, Safe Creek & Natural Flood Protection Program	COP Debt Service	COP Construction Fund	Total
$ 72,776	$ 5,609	$ 50,332	$ -	$ -	$ 282,330
-	-	-	16,021	21,553	41,026
-	-	-	-	-	1,392
-	-	-	-	-	3,536
40	7	-	-	-	223
17,568	2,846	-	-	-	39,032
-	667	-	-	-	667
-	1,335	-	-	-	1,335
1,083	-	63	-	-	8,789
$ 91,467	$ 10,464	$ 50,395	$ 16,021	$ 21,553	$ 378,330
$ 3,172	$ 9	$ 435	$ -	$ -	$ 11,797
44	-	75	-	-	1,237
1,083	-	63	-	-	13,391
-	-	-	-	-	1,030
17,568	2,846	-	-	-	39,930
-	-	-	-	-	3,953
21,867	2,855	573	-	-	71,338
17,729	59	6,228	-	-	67,660
-	-	-	16,021	-	16,021
-	-	-	-	21,553	21,553
-	2,002	-	-	-	2,005
147	43	53	-	-	999
5,647	1,659	2,045	-	-	31,464
-	-	-	-	-	10,642
387	89	142	-	-	3,193
-	-	1,175	-	-	1,175
-	-	437	-	-	437
-	-	-	-	-	1,224
31,592	472	24,948	-	-	107,351
14,098	3,285	14,794	-	-	43,268
69,600	7,609	49,822	16,021	21,553	306,992
$ 91,467	$ 10,464	$ 50,395	$ 16,021	$ 21,553	$ 378,330

See accompanying notes to basic financial statements

SANTA CLARA VALLEY WATER DISTRICT

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

Amount reported for governmental activities in the statement of net assets are different because:

Fund balances of governmental funds (page 31)	$	306,992
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the balance sheet of governmental funds.		752,204
Long-term receivables, included in due from other governments, are not available to pay for current period expenditures and therefore, are deferred on the modified accrual basis in the balance sheet of governmental funds.		39,930
Accrued expenses for the estimated arbitrage liability owed to the Internal Revenue Service does not represent on obligation that is expected to be liquidated with the expendable available financial resources and, accordingly, is not reported as a fund liability of the balance sheet of governmental funds.		(1,322)
Internal service funds are used by management to charge the costs of equipment and risk management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		19,792
Interest payable on long-term debt does not require the use of current financial resources and, therefore, interest payable is not accrued as a liability in the balance sheet of governmental funds.		(3,120)
Accrued interest income for monies held in the restricted bond trust accounts are not available to pay for current period debt payments, and therefore, are not included in the balance sheet of governmental funds.		165
Underwriter's discount and costs of issuance are capitalized on the government-wide statement of net assets, whereas, they are reported as expenditures in the governmental funds.		1,303
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the balance sheet of governmental funds:		
General obligation bonds		(215)
Certificates of participation		(195,050)
Deferred amount on refunding		6,533
Net original issue premium		(3,925)
Compensated absences		(10,642)
Net assets of governmental activities (page 28)	$	912,645


Santa Clara Valley
Water District

SANTA CLARA VALLEY WATER DISTRICT

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	General	Watershed & Stream Stewardship	Lower Peninsula Watershed	West Valley Watershed
Revenues:				
Property taxes (Note 8)	$ 3,511	$ 10,292	$ 4,850	$ 5,634
Benefit assessments (Note 8)	-	-	4,648	2,958
Use of money and property:				
Investment income	466	149	322	147
Rental	39	15	552	73
Reimbursement of capital costs	-	-	-	-
Other	102	25	384	298
Total revenues	4,118	10,481	10,756	9,110
Expenditures:				
Current:				
Operations and operating projects	7,304	7,417	4,792	6,074
Capital improvement projects	2,306	3,017	15,536	352
Debt service:				
Principal repayment	-	-	-	215
Interest and fiscal charges	-	-	-	-
Total expenditures	9,610	10,434	20,328	6,641
Excess (deficiency) of revenues over (under) expenditures	(5,492)	47	(9,572)	2,469
Other financing sources (uses):				
Certificates of participation proceeds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Net original issue premium	-	-		-
Transfers in (Note 14)	6,218	2,396	14,534	1,922
Transfers out (Note 14)	(1,840)	(470)	(4,498)	(3,425)
Total other financing sources (uses)	4,378	1,926	10,036	(1,503)
Net change in fund balances	(1,114)	1,973	464	966
Fund balances, beginning of year	36,736	11,321	27,296	13,599
Fund balances, end of year	$ 35,622	$ 13,294	$ 27,760	$ 14,565

Guadalupe Watershed	Coyote Watershed	Uvas/Llagas Watershed	Clean, Safe Creek & Natural Flood Protection Program	COP Debt Service	COP Construction Fund	Total
$ 6,007	$ 7,350	$ 1,487	$ 26,823	$ -	$ -	$ 65,954
6,215	4,653	760	-	-	-	19,234
537	838	62	471	1,558	1,116	5,666
692	41	1	23	-	-	1,436
-	316	-	49	-	-	365
489	417	193	17	-	-	1,925
13,940	13,615	2,503	27,383	1,558	1,116	94,580
7,857	6,632	2,138	5,255	-	-	47,469
26,311	23,193	251	7,869	-	-	78,835
-	-	-	-	2,455	-	2,670
-	-	-	-	8,781	493	9,274
34,168	29,825	2,389	13,124	11,236	493	138,248
(20,228)	(16,210)	114	14,259	(9,678)	623	(43,668)
-	-	-	-	29,416	3,549	32,965
-	-	-	-	(40,738)	-	(40,738)
-	-	-	-	-	1,973	1,973
-	1,000	107	-	16,463	-	42,640
(6,912)	(5,058)	(750)	(1,619)	-	(15,634)	(40,206)
(6,912)	(4,058)	(643)	(1,619)	5,141	(10,112)	(3,366)
(27,140)	(20,268)	(529)	12,640	(4,537)	(9,489)	(47,034)
78,286	89,868	8,138	37,182	20,558	31,042	354,026
$ 51,146	$ 69,600	$ 7,609	$ 49,822	$ 16,021	$ 21,553	$ 306,992

See accompanying notes to basic financial statements.

SANTA CLARA VALLEY WATER DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004
(Dollars in Thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 35)	$	(47,034)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($88,712) exceed depreciation ($5,101) in the current period.		83,611
Revenues recognized in the governmental funds that were earned and recognized in previous years and are reported as beginning net assets in the statement of activites.		21,337
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds while it does not have any effect on net assets.		
General obligation bonds		215
Certificates of participation		2,455
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. This amount is equal to the proceeds of the certificates of participation less the outstanding principal of the refunded debt.		5,950
Accrued interest expense on long-term debt is reported in the government-wide statement of activities, but they do not require the use of current financial resources. This amount represents the net accured interest expense not reported in governmental funds.		1,149
Deferred charges and unearned revenue resulting from the refunding of outstanding certificates of participation are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Deferred amount on refunding		1,542
Underwriter's discount and cost of issuance		490
Net original issue premium		(1,830)
Internal service funds are used by management to charge the costs of equipment and risk management to individual funds. The net revenue of internal service funds is reported with governmental activities.		(5,724)
Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds:		
Compensated absences		(799)
Interest from monies held in restricted bank accounts		165
Interest from arbitrage rebate account		1,275
Change in net assets of governmental activities (page 29)	$	62,802

SANTA CLARA VALLEY WATER DISTRICT

Statement of Net Assets
Proprietary Funds
June 30, 2004
(Dollars in Thousands)

	Business-type Activity	Governmental Activities
	Water Enterprise Fund	Internal Service Funds
ASSETS		
Current assets:		
Cash and investments (Note 3)	$ 109,959	$ 19,246
Restricted cash and investments (Note 3)	12,480	-
Receivables:		
Accounts	22,290	1
Interest	20	-
Taxes	84	-
Due from other governments	153	-
Due from other funds (Note 13)	363	-
Deposits and other assets	5,712	34
Total current assets	151,061	19,281
Non current assets:		
Advances to other funds (Note 13)	2,618	-
Capital assets: (Note 6)		
Contract water rights, net	56,321	-
Nondepreciable	17,059	-
Depreciable, net	429,917	6,567
Total non current assets	505,915	6,567
Total assets	656,976	25,848
LIABILITIES		
Current liabilities:		
Accounts payable	13,297	197
Accrued liabilities	1,739	6
Commercial paper, net of discount (Note 7a)	2,547	-
Deposits payable	5,778	-
Accrued interest payable	327	-
Deferred revenue	6	-
Claims payable	-	6,822
General obligation bonds - current (Note 7)	1,270	-
Revenue bonds - current (Note 7)	1,022	-
Total current liabilities	25,986	7,025
Non current liabilities:		
Long-term debt: (Note 7)		
General obligation bonds - non current	4,565	-
Revenue bonds (net of unamortized discount and deferred amount on refunding)	55,380	-
Other debt	28,506	
Total non current liabilities	88,451	-
Total liabilities	114,437	7,025
NET ASSETS (Note 9)		
Investment in capital assets, net of related debt	382,192	6,567
Restricted for:		
Debt service	6,902	411
Encumbrances	30,878	-
Restricted asset	5	-
Debt Proceeds	5,251	-
Working capital	9,974	-
San Felipe operations	3,128	-
Rate stabilization	3,000	-
Unrestricted:	101,209	11,845
Total net assets	542,539	$ 18,823
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	(969)	
Net assets of business-type activities	$ 541,570	

SANTA CLARA VALLEY WATER DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Business-type Activity	Governmental Activities	
	Water Enterprise Fund	Internal Service Funds	Total
Operating revenues:			
Ground water charges	$ 46,143	$ -	$ 46,143
Treated water charges	61,688	-	61,688
Surface and recycled water charges	734	-	734
Operating grants	3,412	-	3,412
Charges for services	-	7,790	7,790
Total operating revenues	111,977	7,790	119,767
Operating expenses:			
Sources of supply	49,128	-	49,128
Water treatment	21,089	-	21,089
Transmission and distribution:			
Raw water	6,883	-	6,883
Treated water	2,354	-	2,354
Administration and general	11,031	3,962	14,993
Equipment maintenance	-	4,576	4,576
Insurance	-	5,435	5,435
Depreciation and amortization	9,382	1,021	10,403
Total operating expenses	99,867	14,994	114,861
Operating income (loss)	12,110	(7,204)	4,906
Nonoperating revenues (expenses):			
Property taxes	19,548	-	19,548
Investment income	2,369	252	2,621
Rental income	46	-	46
Gain (loss) on sale of capital assets	-	4	4
Other	4,941	18	4,959
Interest and fiscal agent fees	(4,265)	-	(4,265)
Net nonoperating revenues	22,639	274	22,913
Income before capital contributions and transfers	34,749	(6,930)	27,819
Capital contributions (Note 5)	6,304	-	6,304
Transfers in (Note 14)	472	612	1,084
Transfers out (Note 14)	(3,492)	(26)	(3,518)
Change in net assets	38,033	(6,344)	31,689
Net assets, beginning of year	504,506	25,167	529,673
Net assets, end of year	542,539	$ 18,823	$ 561,362
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.	(969)		
Net assets of business-type activities	$ 541,570		

Reconciliation of the Statement of Revenues, Expenses and Change in Net Assets to the Statement of Activities

Amounts reported for business-type activity in the statement of activities are different because:

Net change in net assets - business-type activities	$ 38,033
Activitiy of internal service fund due from business-type activities	620
Change in net assets of busintess-type activities (page 29)	$ 37,413

SANTA CLARA VALLEY WATER DISTRICT

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Business-type Activity	Governmental Activities
	Water Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	$ 102,779	$ 7,839
Payments to suppliers	(51,260)	(6,391)
Payments to employees	(33,259)	(3,009)
Payments for internal services used	(1,710)	-
Net cash provided by operating activities	16,550	(1,561)
Cash flows from noncapital financing activities:		
Property taxes received	19,550	-
Non-operating revenue	4,941	-
Receipts from other government	(120)	-
Transfers (to) from other funds	(3,020)	586
Net cash provided by noncapital financing activities	21,351	586
Cash flows from capital and related financing activities:		
Principal payments on general obligation bonds	(1,205)	-
Principal payments on revenue bonds	(7,024)	-
Capital contribution received	6,304	-
Retirement of commercial paper	(3,483)	-
Interest and fiscal agent fees paid	(3,832)	-
Acquisition of contract water rights	(2,979)	-
Proceeds from sale of capital assets	-	4
Acquisition and construction of capital assets	(79,811)	(1,016)
Net cash used in capital and related financing activities	(92,030)	(1,012)
Cash flows from investing activities:		
Purchase of restricted investments	5,995	-
Advance to other funds	1,619	-
Rental income received	46	-
Interest received on cash and investments	2,597	252
Net cash provided by investing activities	10,257	252
Net decrease in cash and cash equivalents	(43,872)	(1,735)
Cash and cash equivalents, beginning of year	159,869	20,981
Cash and cash equivalents, end of year	$ 115,997	$ 19,246
Reconciliation to the combined balance sheet:		
Cash and investments	$ 109,959	$ 19,246
Restricted cash and investments	12,480	-
Less cash and investments not meeting the definition of cash equivalents	(6,442)	-
	$ 115,997	$ 19,246
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 12,110	$ (7,204)
Other receipts	-	18
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,382	1,021
Change in operating assets and liabilities:		
(Increase) in accounts receivable	(9,198)	31
(Increase) in inventory	-	(2)
(Decrease) increase in accounts payable	2,525	(40)
(Decrease) increase in accrued liabilities	(1,080)	(13)
Increase in deposits payable	2,811	-
Increase in claims payable	-	4,628
Net cash provided by operating activities	$ 16,550	$ (1,561)

SANTA CLARA VALLEY WATER DISTRICT

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2004
(Dollars in Thousands)

ASSETS	
Cash and investments (Note 3)	$ 1,253
Total assets	$ 1,253
LIABILITIES	
Accounts payable	$ 192
Deposits payable	1,061
Total liabilities	$ 1,253

(1) THE FINANCIAL REPORTING ENTITY

(a) Description of the Reporting Entity

Santa Clara Valley Water District (District) is a special district created by an act of the legislature of the State of California (State) in 1951 and as amended. The District encompasses all of Santa Clara County.

The District is governed by a seven member Board of Directors. Five of the members are elected from the area of each of the five District supervisorial districts and two members are appointed from specific geographic areas by the Board of Supervisors to represent the District at large. The term of office for the directors is four years.

The District has broad powers relating to all aspects of flood control and storm waters within the District, whether or not such waters have their sources within the District. It is also authorized to store and distribute water for use within its jurisdictional boundaries and authorized to provide sufficient water for present or future beneficial use of the lands and inhabitants of the District. The District acquires, stores, and distributes water for irrigation, residential, fire protection, municipal, commercial, industrial, and all other uses. The District also directly supports the caring for the environment and the community through careful stewardship.

As required by generally accepted accounting principles (GAAP) in the United States of America, the accompanying basic financial statements present the District and its component unit. The component unit discussed below is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

(b) Blended Component Unit

The Santa Clara Valley Water District Public Facilities Financing Corporation (the Corporation) was established on December 16, 1987 for the purpose of providing assistance to the District in financing the acquisition, construction and improvement of public buildings, works and equipment for the District. Although legally separate from the District, the Corporation is reported as if it were part of the primary government because its sole purpose is to provide financing to the District under the debt issuance documents of the District. The operations of the Corporation are accounted for in the special revenue and debt service funds.

Component unit financial information can be obtained from the General Accounting Unit of the District at 5750 Almaden Expressway, San Jose, CA 95123.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activity* of the District. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from the business-type activity, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net assets are available, restricted resources are used for qualified expenditures for capital improvement projects before any unrestricted resources are spent.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including agency funds and the blended component unit. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The fund financial statements present all governmental funds and the water enterprise fund.

Proprietary fund *operating* revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds.

- The *Watershed and Stream Stewardship Fund* is funded by the District's 1 percent property tax allocation and used to protect, restore, or enhance the watersheds, streams and natural resources therein.

- The *Lower Peninsula Watershed* defined by geographic boundaries encompassing the tributaries and watersheds of San Francisquito Creek, Matadero Creek, Barron Creek, Adobe Creek, Stevens Creek, and Permanente Creek. The geographic area includes the Cities of Palo Alto, Los Altos, Los Altos Hills, Mountain View, and portions of Cupertino.

- The *West Valley Watershed* defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe Slough, Sunnyvale West Outfall, Sunnyvale East Outfall, Calabazas Creek, San Tomas Aquino Creek, and Saratoga Creek. The geographic area includes portions of the Cities of Sunnyvale, Cupertino, Monte Sereno, San Jose, Santa Clara, Campbell, Saratoga and the Town of Los Gatos.

- The *Guadalupe Watershed* defined by geographic boundaries encompassing the tributaries and watersheds of the Guadalupe River. The major tributaries are Los Gatos Creek, Canoas Creek, Ross Creek, Guadalupe Creek, and Alamitos Creek. The geographic area includes portions of the Cities of Santa Clara, San Jose, Campbell, Monte Sereno, and the Town of Los Gatos.

- The *Coyote Watershed* defined by geographic boundaries encompassing the tributaries and watersheds of Coyote Creek. The major tributaries are Lower Penitencia Creek, Scott Creek, Berryessa Creek, Upper Penitencia Creek, Silver Creek, Thompson Creek, Fisher Creek, and Packwood Creek. The geographic area includes the City of Milpitas and portions of the Cities of San Jose and Morgan Hill.

- The *Uvas/Llagas Watershed* defined by geographic boundaries encompassing the tributaries and watersheds of the Pajaro River in Santa Clara County. The major tributaries are Little Llagas Creek, Llagas Creek, the west branch of Llagas Creek, Uvas-Carnadero Creek, Pescadero Creek, and Pacheco Creek. The Uvas/Llagas Watershed Fund is comprised of mostly unincorporated area and includes the City of Gilroy and portions of the Cities of San Jose and Morgan Hill.

- The *Clean, Safe Creeks and Natural Flood Protection Program* is used to manage specific revenues and expenditures approved with the passage of Measure B in November 2000.

- The *COP Debt Service Fund* is used to account for monies being held for reserve requirements and arbitrage rebate for the District's debt payments.

- The *COP Construction Fund* is used to account for COP proceeds used for the construction of major capital projects with their respective watersheds.

The District reports the following proprietary funds:

- The *Water Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

- The *Internal Service Funds* account for the financing of goods or services provided by one department or agency of the District to other departments or agencies on a cost-reimbursement basis.

The District reports *Agency Funds* (fiduciary fund type) to account for assets held by the District as an agent for private organizations and/or other governments.

(b) Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, benefit assessments and grants. On an accrual basis, revenues from property taxes and benefit assessments are recognized in the fiscal year for which the taxes and assessments are levied; revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied; and revenue from investments is recognized when earned.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes, benefit assessments, interest, grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences are recorded when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

For its business-type activities and enterprise fund, the District has elected, under Governmental Accounting Standard's Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The District has elected not to follow subsequent private-sector guidance of FASB after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund is the sale of water to outside customers, and of the District's internal service funds are charges for serviced provided to internal departments. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds. Funds held in the Deposit Fund use the cash basic of accounting and funds held in the Santa Clara Valley Urban Runoff Prevention Program Fund use the modified accrual method of accounting.

(c) Noncurrent Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental activities column in the government-wide statement of net assets.

(d) Cash and Investments

While maintaining safety and liquidity, the District maximizes its investment return by pooling its available cash for investment purposes. Interest earnings are apportioned among funds based upon the average monthly cash balance of each fund and are allocated to each fund on a monthly basis.

The District reported investments in nonparticipating interest earnings contracts (including guaranteed investment contracts) at cost, investments that mature beyond one year from the date of acquisition at fair value, and investments that mature within one year or less from the date of acquisition at amortized cost. The fair value of investments is based on current market prices.

For purposes of the Statement of Cash Flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased (including restricted investments), and their equity in the cash and investment pool to be cash equivalents.

(e) Inventory

Proprietary fund inventory consists of materials and supplies held for consumption. The cost of all inventory acquired is recorded as an expense at the time of purchase. At the end of the accounting period, the inventory values of materials and supplies on hand are determined using a current cost method which approximates market value. For financial statement purposes inventories are presented under deposits and other assets.

(f) Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets of governmental activities include pipelines, channel linings, floodwalls, levees, bridge flood proofing, box culverts and revegetation. The District defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets including assets under capital leases used in operations are depreciated or amortized using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

Water treatment facilities	50 Years
Buildings, structures, and trailers	25 – 50 Years
Flood control projects	30 – 100 Years
Dams, structures, and improvements	80 Years
Office furniture, fixtures, and equipment	5 - 20 Years
Automobiles and trucks	6 - 12 Years
Computer equipment	5 Years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

(g) Amortization of Contract Water Rights

The District has contracted with the State for water deliveries from the State Water Project through calendar year 2035. A portion of the payments under this contract represent reimbursement of capital costs for transportation facilities (the capital cost component). The Water Enterprise Fund capitalizes the capital cost component and amortizes such component, using the straight-line method, over the remaining entitlement period.

(h) Amortization of Water Banking Rights

The District has contracted with the Semitropic Water Storage District and its Improvement Districts for the water banking and exchange program. The program is in effect through calendar year 2035. Participation in the program provides the District a 35% allocation for storage rights at the Semitropic Water Storage District facility, totaling 350,000 acre-feet. The Water Enterprise Fund has capitalized the cost of the program and amortizes its cost over the 40 year entitlement period using the straight-line method.

(i) Receivables

Receivables include amounts due from water utility customers as well as amounts due for property taxes and interest on investments. All receivables are shown net of an allowance for doubtful accounts of $6,000.

(j) Due from Other Governments

Amounts due from other governments represent amounts due from various government agencies for reimbursement of the District's expenditures/expenses in association with construction projects.

(k) Accrued Vacation and Sick Leave Pay

It is the policy of the District to permit employees to accumulate earned but unused vacation and sick leave benefits. Vested or accumulated vacation and sick leave are reported as noncurrent liabilities on the statement of net assets.

Maximum vacation accruals may not exceed three times the employee's annual accrual rate, per employee. All regular full-time employees are eligible for twelve (12) days of sick leave per fiscal year. Unused sick leave may be carried forward to the following fiscal year without limitation. Upon termination, the eligible employees will be paid a portion of unused sick leave at the employee's base pay rate at the time of termination. The rate of unused sick leave varies with the length of service and the bargaining unit of the employee.

(l) Bond Premiums, Discounts and Issuance Costs

Water Enterprise bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond discounts. Issuance costs are reported as deferred charges.

On the statement of net assets and the statement of activities the 2003A COP and 2004 COP premiums, as well as issuance costs, are deferred and amortized over the life of the certificates. COP payable are reported net of the applicable bond premium. Issuance costs are reported as deferred charges.

(m) Encumbrances

The District employs encumbrance accounting as a significant aspect of budgetary control. Under encumbrance accounting, purchase orders, contracts and other commitments for expenditure of funds are recorded as reservations of fund balance since they are not treated as current expenditures or outstanding liabilities at year end for GAAP financial reporting.

(n) Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(o) Total Column (Memorandum Only) on the Budgetary Governmental Funds Schedule

The total column on the accompanying budgetary schedules is captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, or is such data comparable to a consolidation of financial information. Eliminations of interfund activities have not been made.

(3) CASH AND INVESTMENTS

Total District cash and investments at June 30, 2004 are as follows (in thousands):

Statement of Net Assets:	
Cash and investments	$ 411,535
Restricted cash and investments	53,506
Statement of Fiduciary Net Assets:	
Cash and investments	1,253
	$ 466,294

Deposits

At year-end, the carrying amount of cash, cash overdraft, and other deposits in the District's Treasury was $22,939,000 and the bank balance was $30,049,000. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $564,000 was insured by federal depository insurance and the balance was covered by collateral held in the pledging bank's trust department in the District's name.

The California Government Code requires California banks and savings and loan associations to secure the District's deposits not covered by Federal depository insurance by pledging government securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name. The market value of pledged securities must be equal to at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust mortgage notes having a value 150% of the District's total cash deposits.

Investments

The District is permitted by State law and Board policy to invest in a variety of instruments including U.S. Treasury securities, federal agencies, bankers' acceptances, commercial paper, negotiable certificates of deposit, non-negotiable certificates of deposits, taxable municipal obligations, repurchase agreements, medium-term notes, mutual funds, and State and County investment pools. All investments are subject to various limitations and restrictions.

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the District at year-end. Category 1 includes investments that are insured or registered, or securities held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name. The District did not have any Category 2 or 3 investments at June 30, 2004.

At June 30, 2004, cash and investments are categorized as follows (in thousands):

Category 1 investments:	
U.S. government securities	$ 13,995
U.S. government agencies	329,099
Medium-term notes	57,728
Total category 1 investments	400,822
Uncategorized investments:	
State investment pool	123
Guaranteed investment contracts	9,374
Santa Clara County investment pool	787
Mutual funds	25,104
Principal cash for capital projects (bond proceeds)	3,693
Money market deposits	3,452
Total uncategorized investments	42,533
Carrying amount of cash	
Cash deposits with banks	22,639
Certificates of deposit	300
Total carrying amount of cash	22,939
Total cash and investments	$ 466,294

As of June 30, 2004, the District's investment in the State investment pool (LAIF) is $123,000. The total amount invested by all public agencies in LAIF at that date is $57,600,699,000. Of that amount, 98.4 percent is invested in non-derivative financial products and 1.6 percent in asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in LAIF.

As of June 30, 2004, the District's investment in the Santa Clara County Investment Pool (Pool) is $787,000 which is restricted for interest and redemption of the 1973 general obligation bonds and the 1963 water utility bonds. The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the Pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is stated at fair value, available upon demand and considered cash equivalents.

Restricted Cash and Investments for Bond Interest and Redemption

Under the provisions of the District's revenue bond resolutions and Installment Purchase Agreement for the 2000A & 2000B Certificates of Participation, 1994A Water Utility Revenue Bonds, 2000A & 2000B Water Utility Revenue Bonds, 2003A Certificates of Participation, and 2004A Certificates of Participation, a portion of the proceeds from these debt issuances is required to be held in custody accounts by a fiscal agent as trustee. As of June 30, 2004, the amount invested in assets held by fiscal agent amounted to $22,462,000 and was equal to or in excess of the amount required at that date.

Restricted Cash and Investments for Capital Projects

The District has construction and acquisition funds from the 2000A Certificates of Participation (COP) and 2000A Water Utility Revenue Bonds. These funds are used to pay for the capital projects authorized by the COP and Revenue Bonds. At June 30, 2004, the balances of these funds were $11,308,000 and $5,251,000 for the COP and Revenue Bonds, respectively.

Also included in restricted cash and investments for capital projects is money from bond proceeds of both debt issues that was originally designated for the cost of issuing the debt. These funds are included because any remaining balance, after all fees are paid, will be transferred to the respective construction funds or debt service funds based on bond documents. The fiscal agent holds the cost of issuance funds for both debt issues, which totaled $139,000 for the COP and $1,000 for the Revenue Bonds at June 30, 2004.

Additionally, the District has construction and acquisition funds from 2003A & 2004A Certificates of Participation. These funds are used to pay for the capital projects on flood control improvements authorized by the COP. At June 30, 2004, the balance in these funds was $10,106,000.

Restricted Cash and Investments for Watershed Management Projects

The District has entered into certain cost sharing agreements with the U.S. Army Corps of Engineers (the Corps). Under these agreements the District is required to deposit monies into escrow accounts to be used by the Corps for watershed management projects. At June 30, 2004 the District's restricted deposits held in escrow for construction of the Guadalupe Watershed management projects amounted to $3,452,000.

(4) DUE FROM OTHER GOVERNMENTS

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. The following is a summary of amounts due from other governments for the fiscal year ended June 30, 2004 (in thousands):

State of California, Department of Water Resources	$27,689
Natural Resources Conservation Service	11,091
City of San Jose	252
Total	$39,032

(5) REIMBURSEMENT OF CAPITAL COSTS

The District derives certain revenues from reimbursements of capital costs by local, state, federal agencies and other outside sources. The following is a summary of such reimbursements in 2003/04 (in thousands):

	Governmental Activities	Business-type Activity
Local Agencies:		
City of San Jose	$ 33	
State Agencies:		
State of California:		
California Court	16	
Department of Water Resources	238	6,304
Federal Agencies:		
U. S. Department of Agriculture:		
Natural Resources Conservation Services	78	
Total	$ 365	$ 6,304

(6) CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Deletions	Transfers / Reclassed	Balance June 30, 2004
Governmental Activities					
Nondepreciable capital assets:					
Land	$ 105,976	$ -	$ -	$ -	$ 105,976
Construction in progress	193,566	87,611	(2)	(6,260)	274,915
Total nondepreciable capital assets	299,542	87,611	(2)	(6,260)	380,891
Depreciable capital assets:					
Buildings	35,996	-	-	-	35,996
Structures and improvements	358,243	-	-	6,260	364,503
Equipment:					
Governmental funds	8,526	1,103	-	-	9,629
Internal sevice funds	12,927	1,161	(542)	-	13,546
Total depreciable capital assets	415,692	2,264	(542)	6,260	423,674
Less accumulated depreciation					
Buildings	(2,690)	(720)	-	-	(3,410)
Structures and improvements	(27,872)	(3,636)	-	-	(31,508)
Equipment:					
Governmental funds	(3,152)	(745)	-	-	(3,897)
Internal sevice funds	(6,355)	(1,021)	397	-	(6,979)
Total accumulated depreciation	(40,069)	(6,122)	397	-	(45,794)
Net depreciable capital assets	375,623	(3,858)	(145)	6,260	377,880
Total capital assets, net	$ 675,165	$ 83,753	$ (147)	$ -	$ 758,771
Business-type activity					
Nondepreciable capital assets:					
Land	$ 17,059	$ -	$ -	$ -	$ 17,059
Construction in progress	127,430	75,438	(5)	(2,066)	200,797
Total nondepreciable capital assets	144,489	75,438	(5)	(2,066)	217,856
Depreciable capital assets:					
Contract water and storage rights	106,557	1,789	-	-	108,346
Buildings	28	-	-	-	28
Structures and improvements	354,171	6	-	1,513	355,690
Equipment	8,919	1,587	-	553	11,059
Total depreciable capital assets	469,675	3,382	-	2,066	475,123
Less accumulated depreciation and amortization					
Contract water and storage rights	(49,603)	(2,422)	-	-	(52,025)
Buildings	(4)	-	-	-	(4)
Structures and improvements	(127,484)	(6,335)	-	-	(133,819)
Equipment:	(3,209)	(625)	-	-	(3,834)
Total accumulated depreciation and amortization	(180,300)	(9,382)	-	-	(189,682)
Net depreciable capital assets	289,375	(6,000)	-	2,066	285,441
Total capital assets, net	$ 433,864	$ 69,438	$ (5)	$ -	$ 503,297

During fiscal year 2003/04 capital flood control projects of $2.1 million were completed on the Stevens Creek Drop Structure and $3.5 million on Basic Engineering and Quality Management of the capital project program. On-going capital projects include expenditures of $3.2 millions on the ISMP upgrade, $8.9 million on the Matadero/Barron Creek Remediation, $4.3 million on the Coleman Ave. to New Julian Ave. reach, and $13.2 million on the Lower Silver Creek/McKee project. The District is currently upgrading its water treatment plants and $57.3 million were completed during the year. The remaining balance of additions represents other completed flood control improvement projects and equipment purchased.

Depreciation expense was charged to projects of the primary government as follows (in thousands):

General government	$ 1,526
Watersheds	3,575
Capital assets held by the District's internal service funds are charged to the various functions based on their usage of assets.	1,021
Total depreciation expense – governmental activities	$ 6,122
Total depreciation and amortization expense – business-type activity	
Water enterprise	$ 9,382

(7) SHORT-TERM AND LONG-TERM LIABILITIES

(a) Short-term debt

On December 17, 2002, the District Board of Directors authorized a commercial paper program for financing primarily Water Utility capital expenditures. The commercial paper program allows the District to finance capital expenditures while taking advantage of short term rates. This program will be used in conjunction with issuing long-term liabilities to obtain the least cost financing for the District. The authorized limit for fiscal year 2004 was $45 million ($25 million for taxable debt and $20 million for tax-exempt debt). This limit may change from fiscal year to fiscal year. Lehman Brothers is the approved dealer for the commercial paper program.

The taxable debt portion of the commercial paper program is issued at a discount and the District pays the obligation in full at maturity. At June 30, 2004 there was not outstanding taxable commercial paper issued.

The interest rate on the outstanding non-taxable commercial paper was 1.07 percent with a maturity date of July 9.

The District's short-term debt outstanding consisted of the following, as of June 30, 2004 (in thousands):

	Authorized	Issued	Available
Commercial Paper Program	$100,000	$2,547	$97,453

(b) Long-term liabilities

The District's long-term liabilities outstanding consisted of the following (in thousands):

Type of indebtedness	Maturity	Interest Rates	Authorized and Issued	June 30, 2004	Due Withn One Year
General Long-Term Debt					
Certificates of participation					
2000A Certificates of participation	2030	5 - 5.875%	$ 80,000	$ 74,720	$ 1,405
2000B Certificates of participation	2030	5 - 5.75%	3,110	2,935	55
2003A Certtificates of participation	2024	2 - 4.625%	85,715	84,645	660
2004A Certtificates of participation	2024	2.5 - 5%	32,965	32,965	5,005
Compenated absences				10,642	2,453
Deferred amount on refunding				(6,534)	(333)
Premuim on refunded debt				3,926	200
Total general long-term debt				$ 203,299	$ 9,445
Enterprise Fund Debt					
1963 Water utility bonds - general obligation					
Series B	2006	.05 - 5%	$ 14,200	$ 1,555	$ 750
Series C	2008	4.6 - 5%	3,500	855	155
Series D	2012	2.25 - 7%	8,850	3,425	365
Total 1963 water utility - G.O.B.			26,550	5,835	1,270
2000A Water revenue bond	2000	3.9 - 5.125%	55,180	51,483	960
2000B Water revenue bond	2000	6.625 - 7.8%	5,175	4,919	62
Semitropic water banking agreement	2035		46,900	28,506	-
Total enterprise fund debt				$ 90,743	$ 2,292

The following is a summary of changes in long-term liabilities as of June 30, 2004 (in thousands):

	Balance 7/1/2003	Additions	Reductions	Balance 6/30/2004	Due Withn One Year
General Long-Term Debt					
1973 GOB - Series C	$ 215	$ -	$ (215)	$ -	$ -
1994 COP	38,915	-	(38,915)	-	-
2000A COP	76,055	-	(1,335)	74,720	1,405
2000B COP	2,985	-	(50)	2,935	55
2003A COP	85,715	-	(1,070)	84,645	660
2004A COP	-	32,965	-	32,965	5,005
Compensated absences	9,843	6,816	(6,017)	10,642	2,453
Deferred amount on refunding	(4,991)	(1,823)	280	(6,534)	(333)
Premium on refunded debt	2,095	1,974	(143)	3,926	200
Total general long-term debt	$ 210,832	$ 39,932	$ (47,465)	$ 203,299	$ 9,445
Enterprise Fund Debt					
1963 Water Utility bonds	$ 7,040	$ -	$ (1,205)	$ 5,835	$ 1,270
1994 Water revenue refunding bonds	5,593	-	(5,593)	-	-
2000A revenue bonds	52,403	-	(920)	51,483	960
2000B revenue bonds	4,975	-	(56)	4,919	62
Semitropic water banking agreement	29,696	-	(1,190)	28,506	
Total general long-term debt	$ 99,707	$ -	$ (8,964)	$ 90,743	$ 2,292

The aggregate maturities of long-term debt are as follows (in thousands):

	Governmental activities		Business-type activity	
Year ending June 30:	Principal	Interest	Principal	Interest and amortization
2005	$ 7,125	$ 9,352	$ 2,330	$ 3,190
2006	7,380	9,133	2,465	3,086
2007	7,690	8,841	1,730	3,009
2008	8,050	8,494	1,810	2,928
2009	8,430	8,132	1,890	2,842
2010 - 2014	45,005	40,625	8,630	12,919
2015 - 2019	39,950	64,649	9,300	10,746
2020 - 2024	43,175	58,130	12,015	8,036
2025 - 2029	23,020	28,813	15,605	4,448
2030 - 2031	5,440	5,759	7,490	540
Total Requirements	$ 195,265	$ 241,928	63,265	$ 51,744
Add: Semitropic water storage agreement			28,506	
Less unamortized discount and deferred amount on refunding			(1,028)	
Total principal outstanding at June 30, 2004			$ 90,743	

Governmental Activities

The following provides a brief description of the District's debt for governmental activities outstanding as of June 30, 2004

1973 General Obligation Bonds - Series C

On August 1, 1973, the District issued general obligation bonds for the purpose of completing construction of a comprehensive zone-wide flood control system in the West Valley Watershed. Debt service payments are funded through ad valorem taxes on property in the North Central Flood Control Zone. These bonds were fully repaid as of June 30, 2004.

1994 Certificates of Participation

On June 15, 1994, the District issued $144,620,000 in 1994A Refunding and Improvement Certificates of Participation (the 1994 Certificates). The 1994 Certificates were issued to advance refund the District's outstanding 1988 and 1990 Certificates of Participation (the old certificates), and to establish a construction fund. The District has pledged its flood control system revenue (principally benefit assessment and ad valorem taxes on property) to secure the semi-annual installment debt service payments on the 1994 Certificates. In February 2003 the District refinanced $76,445,000 of the 1994A Certificates of Participation, leaving an outstanding balance of $38,915,000. The refunded portion of the 1994 Certificates was replaced by the issuance of the 2003 Certificates of Participation. In February 2004 the District refinanced the remaining portion of $38,915,000 of the 1994A Certificates of Participation, leaving an outstanding balance of $0. The refunded portion of the 1994 Certificates was replaced by the proceeds from issuance of the 2004 Certificates of Participation.

2000 Certificates of Participation

In March 2000 the District issued $80,000,000 in Certificates of Participation, parity obligations Series 2000A (the 2000A Certificates) and $3,110,000 in Certificates of Participation, subordinate obligations, Series 2000B (the 2000B Certificates) to pay the costs of improvements to the District's flood control systems. The District has pledged its flood control system's revenues to secure the semi-annual installments debt service payments. The 2000A Certificates are on parity with the payment of the 1994 Certificates. The payment of the 2000B Certificates is subordinate to the payment of the 2000A Certificates and the 1994 Certificates.

2003 Certificates of Participation

In February 2003, the District issued $85,715,000 of Refunding and Improvement Certificates of Participation. The proceeds of the 2003A Certificates were used to refinance $76,445,000 of the 1994A Certificates of Participation and new certificates were issued to finance the cost of certain other flood control improvements. Of the net proceeds $74,294,000 has been placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. Additionally $7.2 million was transferred from the 1994A Certificates of Participation payment account to the escrow agent to cover the outstanding obligation. As a result, a portion of the 1994A Certificates of Participation are considered defeased and the liabilities have been removed from the Statement of Net Assets. The District decreased its total debt service over the next twenty-one years by $1.8 million with this advance refunding even though an additional $5.3 million of funds were acquired. The advanced refunding generated an economic gain of $5.2 million. The District has pledged its flood control system's revenue to secure the semi-annual installments of debt service payment.

2004 Certificates of Participation

In January 2004, the District issued $32,965,000 of Refunding and Improvement Certificates of Participation. The proceeds of the 2004A Certificates were used to refinance $38,915,000 of the remaining 1994A Certificates of Participation and new certificates were issued to finance the cost of certain other flood control improvements. The District purchased a surety bond to fund the Debt Service Reserve Fund. Additionally, the District used funds accumulated in the 1994 Debt Service Reserve Fund, Rebate Fund and other 1994A COP accounts to reduce the size of the 2004A issuance. As a result, the 1994A Certificates of Participation are considered defeased and the liabilities have been removed from the Statement of Net Assets. The District decreased its total debt service over the next twenty-one years by $10.7 million with this advance refunding even though an additional $5.0 million of funds were acquired. The advanced refunding generated an economic gain of $4,063,224. The District has pledged its flood control system's revenue to secure the semi-annual installments of debt service payment.

Business-type Activity

The following provides a brief description of the District's debt for business-type activity outstanding as of June 30, 2004:

1963 Water Bonds

The Water Bonds are general obligations of the District. These bonds were issued pursuant to the provisions of Resolution No. W-1.8, adopted November 12, 1963. Proceeds from these bonds have been used for construction of a comprehensive water treatment and distribution system. Debt service payments are funded through ad valorem taxes on property.

1994 Water Revenue Refunding Bonds

In July 1994, the District issued $65,915,000 in 1994A Water Revenue Refunding Bonds. The bonds were issued to advance refund the District's outstanding 1986 Water Revenue Bonds. The District has pledged its net water utility system revenues to secure the payment of principal and interest on the bonds. There is no outstanding in-substance defeased debt.

In accordance with GASB Statement No. 23, the difference between the reacquisition price and net carrying amount of the old debt of $4,433,000 was deferred and is being amortized as a component of interest expense over ten years which is equal to the life of the new debt. The 1994 Water Revenue Refunding Bonds were fully repaid as of June 30, 2004.

2000 Water Enterprise Revenue Bonds

In December 2000, the District issued $55,180,000 in Revenue Bonds Series 2000A (the 2000A Revenue Bonds) and $5,175,000 in Revenue Bonds Taxable Series 2000B (the 2000B Revenue Bonds) for the acquisition and construction of improvements to the District's Water Utility System. The District has pledged its net water utility system revenues to secure the annual installments debt service payments. The 2000A Revenue Bonds and 2000B Revenue Bonds are on parity with the payment of the 1994 Revenue Bonds.

Semitropic Water Storage Agreement

In December 1995, the District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The District's share of the total program capital costs is $46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering water. At June 30, 2004 the District has paid $18.4 million towards the obligation of this agreement. Payment of any outstanding obligation is due by January 1, 2006 and it is anticipated that the District will make a lump-sum payment of the remaining balance on that date. However, the District's debt obligation for its share of the total program capital cost is limited to the extent of its participation in the 35 percent allocation in the program. Should the District decide not to exercise its full allocation in the program, the debt obligation will be reduced accordingly.

Compensated absences

Compensated absences are paid out of the general fund as an employee benefit expense in the year the expense is realized. At the end of the each year all funds reimburse the general fund on a pro-rata basis of salary expense cost for the payment of these payouts.

Compliance with Bond Covenants

Resolutions associated with the District's bonds and certificates of participation contain a number of covenants, limitations, and restrictions. The District believes it is in compliance with all significant covenants, limitations, and restrictions. At June 30, 2004, the arbitrage liability arising from interest earnings is $1.3 million for governmental activities and $1.5 million in the Water Enterprise Fund. At June 30, 2004, the legal debt margin was $8 million.

(8) PROPERTY TAXES AND BENEFIT ASSESSMENTS

The District derives certain revenues from the assessment of property tax parcel levies and the levy of benefit assessments and a special parcel tax. The property tax levy is composed of three categories: (1) a 1 percent tax allocation; (2) voter approved levy to service the 1963 Water General Obligation bonds (G.O. bonds); and (3) voter approved levy to repay capital and operating costs related to State Water Projects. Benefit Assessments are collected as part of duly authorized debt repayment phase of the voter-approved assessments. In November 2000, voters approved a 15-year special parcel tax to fund the countywide Clean, Safe Creeks and Natural Flood Protection Program. The levy became effective July 1, 2001 and is based on the proportionate storm water runoff for each property.

Property tax and benefit assessment revenue recorded for the year ended June 30, 2004 follows (in thousands):

	General Fund	Special Revenue Funds	Water Enterprise Fund
Property taxes:			
1% tax allocation	$ 3,511	$ 35,620	$ 3,071
Special parcel tax	-	26,823	-
Voter approved indebtedness:			
State water	-	-	14,588
G.O. bonds	-	-	1,889
Total taxes	3,511	62,443	19,548
Benefit assessments	-	19,234	-
Total property taxes and benefit assessments	$ 3,511	$ 81,677	$ 19,548

The County is responsible for the assessment, collection, and apportionment of property taxes for the District. The amount of property tax levies is restricted by Article 13A of the California State Constitution (commonly referred to as Proposition 13). The District is responsible for determining the amount of benefit assessment, special parcel tax, and State Water Project Debt Service. Secured property taxes and benefit assessments are each payable in equal installments, November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the District within the governmental fund revenues. The proprietary fund records property taxes as they are levied. Property taxes on the unsecured roll are due on the March 1 lien date and become delinquent if still unpaid on August 31.

The District has elected to participate in the "Teeter Plan" offered by the County whereby the District receives 100 percent of secured property and supplemental property taxes levied in exchange for foregoing any interest and penalties collected on the related delinquent taxes.

(9) NET ASSETS/FUND BALANCES

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

Invested In Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

Reserved fund balance represents that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The reserved fund balances in the governmental funds as of June 30, 2004 are $105.2 million. The remaining portion is unreserved.

Portions of unreserved fund balance and retained earnings may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans or intent are subject to change, require further legal authorization and may not result in expenditures or expenses. The unreserved fund balances as of June 30, 2004 are $201.8 million in the governmental funds and $79.7 million in the proprietary funds

Reservations and designations of governmental fund balances are reported in the fund financial statements of the accompanying basic financial statements.

Restricted and designated proprietary fund retained earnings as of June 30, 2004 are represented below (in thousands):

	Water Enterprise Fund	Equipment Fund	Risk Management Fund
Restricted Retained Earnings			
Designated for Encumbrances	$ 30,878	$ 372	$ 46
Designated for Debt Service	6,902	-	-
Designated for Restricted Asset	5	-	-
Designated for Debt Proceeds	5,251	-	-
Designated for Working Capital	9,974	-	-
Designated for San Felipe Operations	3,128	-	-
Designated for Rate Stabilization	3,000	-	-
Sub-total Restricted Retained Earnings	59,138	372	46
Designated for Operations & Contingencies			
Designated for Operating Contingencies	1,197	61	66
Designated for Supplemental Water Supply	589	-	-
Designated for Environmental Water Banking	921	-	-
PERS Stabilization Reserve	785	409	-
Sub-total Designated for Operations & Contingencies	3,492	470	66
Designated for Capital Projects			
Designated for Fixed Assets	1,816	-	-
Designated for Current Authorized Projects	23,432	3,121	-
Designated for Future Capital Projects	14,126	2,201	-
Sub-total for Designated for Capital Projects	39,374	5,322	-
Designated for Future Contingent Liabilities			
Designated for Central Valley Project	25,000	-	-
Designated for Self Insurance	-	-	5,980
Sub-total for Designated for Future Contingent Liabilities	25,000	-	5,980
Investment in Non-current Assets	415,535	6,553	14
Net Assets	$ 542,539	$ 12,717	$ 6,106

(10) EMPLOYEES' RETIREMENT PLAN

Plan Description

All permanent employees are eligible to participate in the miscellaneous plan with the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries based on member's years of service, age and final compensation. District employees vest after five years of service and are eligible to receive retirement benefits at age fifty. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District's ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Status and Progress

District employees are required to contribute 8.0 percent of their annual covered salary to CalPERS. The District makes the contributions required of District employees on their behalf and for their account. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the District for fiscal year 2003/04 was 5.83 percent. In January 2003, the District amended its contract with CalPERS to include the enhanced retirement formula of 2.5% at 55. The District employees share 2.5% of the cost of this amended retirement plan. The contribution requirements of plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003/04, the District's annual pension cost of $4,063,000 for CalPERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses) and (b) projected annual salary increases that vary by duration of service. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of CalPERS assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. All annual pension costs are paid upon receipt of invoices.

THREE-YEAR TREND INFORMATION FOR CalPERS
(Dollars in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	$0	100%	$0
6/30/2003	1,277	100%	0
6/30/2004	4,063	100%	0

FUNDED STATUS OF PLAN
(Dollars in Thousands)

Actuarial Valuation Date	Entry Age Normal Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability/ (Excess Assets) (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	Unfunded (Overfunded) Actuarial Accrued Liability As a % of Payroll [(a)-(b)]/(c)
6/30/2001	$ 189,596	$ 219,419	$ (29,822)	115.7%	$ 43,229	(69.0%)
6/30/2002	209,888	209,805	83	100.0%	53,468	0.2%
6/30/2003	243,620	215,412	28,208	88.4%	64,234	43.9%

(11) POST-EMPLOYMENT BENEFITS

The District provides post-employment health care benefits, in accordance with negotiated memoranda of understanding with employee groups and adoption by the Board of Directors, for retired employees and/or their surviving spouses who meet the eligibility requirements and elect the option. For employees who retired prior to June 30, 1988 with at least 10 years of service, the District provides reimbursement of medical premiums of $165 per month payable quarterly. For employees who retired after June 30, 1988, the District pays 100 percent of medical premiums provided the employee has 10 years of service with the District, the employee retires from the District at minimum age 50, and the employee is receiving a monthly allowance from PERS. For employees who retired after June 30, 1990, the District provides additional medical coverage for one dependent provided the employee has 15 years of service with the District and their dependent does not have coverage from a current employer. Benefits are recognized as claims are paid. For the year ended June 30, 2004, expenditures of $1,295,000 were recognized for post-employment healthcare benefits, with 215 participants currently eligible to receive benefits. The post-employment healthcare benefits are paid by all funds based upon their portion of annual salary expense.

(12) RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District reports all of its risk management activities in its Risk Management Internal Service Fund.

The District's deductibles and maximum coverage are as follows (in thousands):

Coverage Descriptions	Deductibles	Commercial Insurance Coverages
General liability	$2,000	$40,000
Workers' compensation	750	Statutory
Property damage (subject to policy sub-limits)	100	50,000
Fidelity (Crime)	5	1,000
Non-owned aircraft liability	-	5,000
Boiler and machinery	50	500,000

Claims expenses and liabilities are reported for self-insured deductibles when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported, allocated and unallocated claims adjustment expenses and incremental claim expense. Claim liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At June 30, 2004, the liability for self-insurance claims was $6,822,000. This liability is the District's best estimate based on available information. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the reported liability since June 30, 2002 are as follows (in thousands):

	General Liability	Workers' Compensation	Total
Claims payable at June 30, 2002	$ 806	$ 764	$ 1,570
Current year premiums, incurred claims and changes in estimates	401	793	1,194
Net payments	(149)	(421)	(570)
Claims payable at June 30, 2003	1,058	1,136	2,194
Current year premiums, incurred claims and changes in estimates	2,953	2,750	5,703
Net payments	(427)	(648)	(1,075)
Claims payable at June 30, 2004	$ 3,584	$ 3,238	$ 6,822

(13) ADVANCES TO AND FROM OTHER FUNDS

During fiscal year 2002/03 the Water Enterprise Fund advanced $4.6 million to the General Fund to fund the new gas generator and heat recovery project, and two new solar projects. The Water Enterprise Fund will receive interest on the outstanding balance of the advance based upon the average investment portfolio of the District. Repayment of the advance will occur based upon an annual payment schedule and will be complete by fiscal year 2005/06.

The Uvas/Llagas Watershed advanced $2.67 million to the Watershed and Stream Stewardship Fund to provide financing for the acquisition of property from the Land Trust for Santa Clara County. The Uvas/Llagas Watershed will receive interest on the outstanding balance of the advance based upon the average investment portfolio of the District. Repayment of the advance will occur based upon an annual payment schedule and will be complete by fiscal year 2006/07.

A summary of current advances to/from other funds, as of June 30, 2004, follows (in thousands):

Advances to other fund	Advances from other fund	Amount	Due within one year
Water Enterprise Fund	General Fund	$2,981	$363
Uvas/Llagas Watershed	Watershed & Stream Stewardship	2,002	667
		$4,983	$1,030

The amounts listed above as due within one year can be found on the governmental fund balance sheet as due to other funds and due from other funds.

(14) TRANSFERS IN AND OUT

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move receipts to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) move debt proceeds held in the construction fund to the funds incurring the construction expense.

In the year ended June 30, 2004, $16.5 million was transferred from the governmental funds to service debt payments; $15.6 million was transferred from the COP construction fund to reimbursement claims for qualified capital projects; $612 thousand was transferred as an annual subsidy to cover equipment replacement; $8.7 million was transferred for capital funding; $1.8 million for the repayment of advances between funds; and the balance of $554 thousand was transferred to consolidate liabilities in the general fund.

Interfund transfers for the year ended June 30, 2004, is as follows (in thousands):

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred
General Fund	Watershed & Stream Stewardship	$ 165
	Lower Peninsula Watershed	617
	West Valley Watershed	206
	Guadalupe Watershed	756
	Coyote Watershed	264
	Uvas/Llagas Watershed	73
	Clean Safe Creek & Natural Flood	619
	Water Enterprise	3,492
	Equipment Internal Service Fund	16
	Risk Management Internal Service Fund	10
Watershed & Stream Stewardship	Lower Peninsula Watershed	32
	West Valley Watershed	843
	Guadalupe Watershed	940
	Coyote Watershed	503
	Uvas/Llagas Watershed	78
Lower Peninsula Watershed	COP Construction Fund	14,534
West Valley Watershed	Watershed & Stream Stewardship	198
	Lower Peninsula Watershed	50
	Guadalupe Watershed	230
	Coyote Watershed	344
	COP Construction Fund	1,100
Coyote Watershed	Clean Safe Creek & Natural Flood	1,000
Uvas/Llagas Watershed	Watershed & Stream Stewardship	107
COP Debt Service Fund	General Fund	756
	Lower Peninsula Watershed	3,799
	West Valley Watershed	2,376
	Guadalupe Watershed	4,986
	Coyote Watershed	3,947
	Uvas/Llagas Watershed	599
Water Enterprise	General Fund	472
Equipment Internal Service Fund	General Fund	612
Total interfund transfers		$ 43,724

(15) COMMITMENTS

(a) Contract and Purchase Commitments

As of June 30, 2004, the proprietary funds had open purchase commitments of approximately $30.9 million relating primarily to new or existing contracts and agreements. Governmental funds had encumbrances of approximately $68.1 million as reflected in the accompanying basic financial statements. These encumbrances represent commitments for the expenditure of funds and do not represent expenditures or liabilities.

(b) State Water Project Water Deliveries

The District has contracted with the State for water deliveries from the State Water Project. Under the terms of the contract, the District secured rights to obtain 6,510,783 acre-feet of water, of which, 3,360,783 acre-feet of water have been allotted through June 30, 2004. The contract requires the District to reimburse the State for capital costs (including interest thereon) and minimum operating, maintenance, power, and replacement costs of the State Water Project transportation and conservation facilities. The State annually reestimates the District's total commitment for reimbursement of such costs.

A summary of the currently estimated remaining commitment to the State through 2035, is as follows (in thousands):

Transportation Charges:	
Capital cost component, including principal and interest	$37,073
Operations and maintenance	275,194
Delta water charges	74,375
Water revenue bond surcharges	34,589
Total State Water Project Commitment	$421,231

(c) San Felipe Project Water Deliveries

The District has also contracted with the U.S. Department of the Interior for water deliveries from the San Felipe Project. Under the terms of the contract, the District secured rights to a minimum of 4,022,900 acre-feet of water, of which 1,781,094 acre-feet of water have been received through June 30, 2004. The contract requires the District to operate and maintain its share of the facilities. The estimated remaining commitment, for water purchases through 2027 total approximately $113,899,000 as of June 30, 2004.

(d) Participation Rights in Storage Facilities

In December 1995, the District entered into a water banking and exchange program with Semitropic Water Storage District and its Improvement Districts that entitles the District to storage, withdrawal, and exchange rights for the District's State Water Project supplies. The District's share of the total program capital costs is $46.9 million based on a 35 percent vesting in the program. The District pays the program capital costs when storing and recovering water. The agreement terminates in December 2035.

The District pays the program capital costs when storing and recovering water. As of June 30, 2004 the District has paid $18,394,000. During the first 10 years the District has a reservation for the full 35% allocation; but, by January 1, 2006 if the District's contribution towards the program capital costs do not equal $46.9 million, the District's permanent storage allocation will be reduced.

The District has a storage allocation of 350,000 acre-feet and has been able to store 144,457 acre-feet in the program as of June 30, 2004. The participation rights are amortized using the straight-line method over the life of the agreement. Amortization of $9,966,000 has been recorded through fiscal year 2004.

(16) CONTINGENCIES

(a) Litigation

The District is a defendant or codefendant in a number of lawsuits for property damages and/or personal injuries. Although the outcome of the lawsuits is not presently determinable, counsel for the District has indicated that material losses, if any, arising from these lawsuits are adequately provided for under indemnification agreements or insurance coverage and therefore would not have a material effect on the June 30, 2004 basic financial statements.

(b) Grants and Subventions

The District has received federal and state grants for specific purposes that are subject to review and audit. Although such audits could result in expenditure disallowances under grant terms, any required reimbursements are not expected to be material.

(c) Central Valley Project

On June 7, 1977, the District entered into a contract with the U.S. Bureau of Reclamation for water service from the San Felipe Division of the Federal Central Valley Project (CVP). The CVP water service provides for both agricultural operation and maintenance (O&M) and municipal and industrial (M&I) water deliveries to the District up to a total maximum annual entitlement of 152,500 acre-feet per year. The contract specified initial water rates for O&M and M&I water service and provided for periodic adjustments for the respective water rates in accordance with prevailing CVP water rate policies commencing in the year 1993 for the in-basin M&I rate component; 1996 for the agricultural O&M rate component; 2001 for the full agricultural water rate; and 2008 for the out-of-basin M&I rate component. The methodology of CVP water rate setting has historically recovered current year operating costs and the applicable construction costs over 50 years.

The District's initial CVP water rates were determined based on a November 1974 CVP water rate policy and estimated construction costs of the San Felipe Division. The actual construction costs of the San Felipe Division were significantly higher than the estimates used in the initial rate calculation, and changes in the Federal Reclamation Law during the 1980's have led to the development of new CVP water rate policies. As a result, the District is facing significant possible future CVP water rate increases because, under the terms of the District's CVP water service contract, the future rate adjustments must conform to prevailing water rate policies at the time of adjustment. Projected water rates include an estimated amount for future CVP water costs in accordance with the new CVP water rate policy.

In pasted years, to minimize the potential adverse effects of possible future CVP water rate increases, the District collected additional revenue through its water rates. The District has designated the related incremental portion of net assets of the Water Enterprise Fund as a designated for CVP amounting to $25.0 million at June 30, 2004.

(d) Methyl Tertiary Butyl Ether

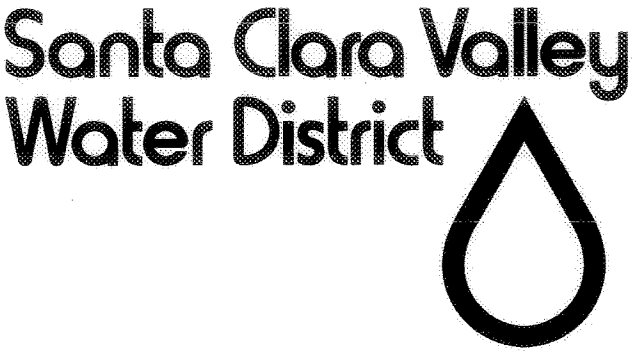
Methyl Tertiary Butyl Ether (MTBE) is a colorless chemical compound that is manufactured for use in gasoline. MTBE was added to the state's gasoline supplies to reduce harmful air emissions, but has created an unforeseen impact on water supplies. The limited research that has been done to date indicates that MTBE is more difficult and more expensive to remove from drinking water than other components of gasoline.

California Senate Bill 2198 (Bill) creates a statewide cleanup fund for drinking water contaminated by MTBE and other fuel oxygenates. The Bill provides $20 million statewide over three years for treatment, purchase of replacement water, and investigation of possible sources of contamination.

The District has established a $1.7 million program budgeted to protect underground aquifers from MTBE contamination. The District has also embarked on a surface water protection program to safeguard local reservoirs from high concentrations of MTBE. The future financial impact to the District is unknown at this time; however, the District is exploring various options including legislation, in addressing this potential threat to its water supply.

(e) Perchlorate

In 2003, an investigation performed under the direction of state water officials detected a chemical called perchlorate in several water wells in South County. Although the contamination is under the jurisdiction of the Central Coast Regional Water Quality Control Board, the District applied its significant resources to assess the extent of the perchlorate contamination. In addition to offering free well testing within the initial study area, the District's groundwater experts continue to provide technical assistance to the investigation. The responsibility for assessing the problem and cleaning up the contamination resided with the Olin Corporation. The District involvement is supporting local, state, and federal efforts to ensure a safe water supply and groundwater cleanup.


Santa Clara Valley
Water District

Required

Supplemental

Information

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual on a Budgetary Basis
Budgeted Governmental Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 3,451	$ 3,451	$ 3,511	$ 60
Benefit assessments	-	-	-	-
Use of money and property:				
Investment income	868	868	466	402
Rental	40	40	39	(1)
Reimbursement of capital costs	899	899	-	(899)
Other	-	-	102	102
Total revenues	5,258	5,258	4,118	(336)
Expenditures:				
Operating budget:				
Operations and operating projects	43,634	44,126	38,524	5,602
Debt service:				
Principal repayment	292	292	292	-
Interest and fiscal charges	481	481	467	14
Total operating budget	44,407	44,899	39,283	5,616
Capital budget:				
Capital improvement projects	7,692	27,719	14,261	13,458
Total expenditures	52,099	72,618	53,544	19,074
Excess (deficiency) of revenues over (under) expenditures	(46,841)	(67,360)	(49,426)	17,934
Other financing sources (uses):				
Intra-district overhead reimbursement	43,647	43,647	41,467	(2,180)
Repayment from advance to other funds	380	380	1,192	812
Repayment to advance to other funds	(1,279)	(1,279)	(2,090)	(811)
Transfers in	4,866	4,866	5,027	161
Transfers out	(612)	(612)	(612)	-
Total other financing sources	47,002	47,002	44,984	(2,018)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financial uses	$ 161	$ (20,358)	(4,442)	$ 15,916
Fund balances, beginning of year			36,736	
Reconciliation of GAAP and budgetary basis:				
Less princial payment for advance to other funds			-	
Add principal payment for advance from other funds			1,619	
Less prior year budgetary basis expenditures			(2,165)	
Add current year budgetary basis encumbrances			3,874	
Fund balances, end of year			$ 35,622	

Watershed & Stream Stewardship				Lower Peninsula Watershed			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 10,834	$ 10,834	$ 10,292	$ (542)	$ 5,020	$ 5,020	$ 4,850	$ (170)
-	-	-	-	4,684	4,684	4,648	(36)
288	288	149	(139)	972	972	322	(650)
-	-	-	-	641	641	552	(89)
168	168	-	(168)	84	84	-	(84)
-	-	40	40	-	-	384	384
11,290	11,290	10,481	(809)	11,401	11,401	10,756	(645)
9,012	9,088	6,922	2,166	5,574	5,574	4,733	841
-	-	-	-	1,136	1,136	1,136	-
-	-	-	-	2,701	2,701	2,673	28
9,012	9,088	6,922	2,166	9,411	9,411	8,542	869
5,515	7,682	5,664	2,018	3,028	36,373	23,323	13,050
14,527	16,770	12,586	4,184	12,439	45,784	31,865	13,919
(3,237)	(5,480)	(2,105)	3,375	(1,038)	(34,383)	(21,109)	13,274
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(838)	(838)	(835)	3	(80)	(80)	(79)	1
10,384	5,038	2,396	(2,642)	5,497	22,307	14,534	(7,773)
(1,139)	(1,139)	(302)	837	(950)	(635)	(620)	15
8,407	3,061	1,259	(1,802)	4,467	21,592	13,835	(7,757)
$ 5,170	$ (2,419)	(846)	$ 1,573	$ 3,429	$ (12,791)	(7,274)	$ 5,517
		11,321				27,296	
		-				-	
		668				-	
		(580)				(169)	
		2,731				7,907	
		$ 13,294				$ 27,760	

See accompanying notes to required supplementary information.

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual on a Budgetary Basis (Continued)
Budgeted Governmental Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	West Valley Watershed			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 6,007	$ 6,007	$ 5,634	$ (373)
Benefit assessments	2,961	2,961	2,958	(3)
Use of money and property:				
Investment income	464	464	147	(317)
Rental	80	80	73	(7)
Reimbursement of capital costs	84	84	-	(84)
Other	-	-	298	298
Total revenues	9,596	9,596	9,110	(486)
Expenditures:				
Operating budget:				
Operations and operating projects	6,350	6,410	6,120	290
Debt service:				
Principal repayment	1,437	1,437	1,437	-
Interest and fiscal charges	1,179	1,179	1,163	16
Total operating budget	8,966	9,026	8,720	306
Capital budget:				
Capital improvement projects	124	7,777	491	7,286
Total expenditures	9,090	16,803	9,211	7,592
Excess (deficiency) of revenues over (under) expenditures	506	(7,207)	(101)	7,106
Other financing sources (uses):				
Intra-district overhead reimbursement	-	-	-	-
Repayment from advance to other funds	-	-	-	-
Repayment to advance to other funds	(57)	(57)	(57)	-
Transfers in	6,627	6,681	1,922	(4,759)
Transfers out	(3,399)	(2,355)	(992)	1,363
Total other financing sources (uses)	3,171	4,269	873	(3,396)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ 3,677	$ (2,938)	772	$ 3,710
Fund balances, beginning of year			13,599	
Reconciliation of GAAP and budgetary basis:				
Less princial payment for advance to other funds			-	
Add principal payment for advance from other funds			-	
Less prior year budgetary basis expenditures			(115)	
Add current year budgetary basis encumbrances			309	
Fund balances, end of year			$ 14,565	

	Guadalupe Watershed				Coyote Watershed			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
	$ 6,122	$ 6,122	$ 6,007	$ (115)	$ 7,478	$ 7,478	$ 7,350	$ (128)
	6,268	6,268	6,215	(53)	4,844	4,844	4,653	(191)
	2,561	2,561	537	(2,024)	2,780	2,780	838	(1,942)
	681	681	692	11	49	49	41	(8)
	545	545	-	(545)	2,700	135	316	181
	84	84	489	405	-	-	417	417
	16,261	16,261	13,940	(2,321)	17,851	15,286	13,615	(1,671)
	8,319	8,409	7,861	548	7,275	7,336	6,744	592
	2,827	2,827	2,827	-	1,641	1,641	1,641	-
	2,222	2,222	2,180	42	2,317	2,317	2,318	(1)
	13,368	13,458	12,868	590	11,233	11,294	10,703	591
	2,923	68,311	52,905	15,406	80	72,369	40,670	31,699
	16,291	81,769	65,773	15,996	11,313	83,663	51,373	32,290
	(30)	(65,508)	(51,833)	13,675	6,538	(68,377)	(37,758)	30,619
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	(89)	(89)	(89)	-	(74)	(74)	(74)	-
	-	3,560	-	(3,560)	3,034	3,034	1,000	(2,034)
	(5,148)	(2,623)	(1,837)	786	(4,108)	(1,804)	(1,037)	767
	(5,237)	848	(1,926)	(2,774)	(1,148)	1,156	(111)	(1,267)
	$ (5,267)	$ (64,660)	(53,759)	$ 10,901	$ 5,390	$ (67,221)	(37,869)	$ 29,352
			78,286				89,868	
			-				-	
			-				-	
			(137)				(79)	
			26,756				17,680	
			$ 51,146				$ 69,600	

See accompanying notes to required supplementary information.

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual on a Budgetary Basis (Continued)
Budgeted Governmental Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Uvas / Llagas Watershed			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 1,548	$ 1,548	$ 1,487	$ (61)
Benefit assessments	762	762	760	(2)
Use of money and property:				
Investment income	185	185	62	(123)
Rental	1	1	1	-
Reimbursement of capital costs	1,560	460	-	(460)
Other	-	-	193	193
Total revenues	4,056	2,956	2,503	(453)
Expenditures:				
Operating budget:				
Operations and operating projects	2,707	2,707	2,173	534
Debts Service:				
Principal repayment	231	231	231	-
Interest and fiscal charges	381	381	370	11
Total operating budget	3,319	3,319	2,774	545
Capital budget:				
Capital improvement projects	126	729	253	476
Total expenditures	3,445	4,048	3,027	1,021
Excess (deficiency) of revenues over (under) expenditures	611	(1,092)	(524)	568
Other financing sources (uses):				
Intra-district overhead reimbursement	-	-	-	-
Repayment from advance to other funds	757	757	775	18
Repayment to advance to other funds	-	-	(20)	(20)
Transfers in	836	836	-	(836)
Transfers out	-	-	(131)	(131)
Total other financing sources (uses)	1,593	1,593	624	(969)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ 2,204	$ 501	100	$ (401)
Fund balances, beginning of year			8,138	
Reconciliation of GAAP and budgetary basis:				
Less princial payment for advance to other funds			(668)	
Add principal payment for advance from other funds			-	
Less prior year budgetary basis expenditures			(13)	
Add current year budgetary basis encumbrances			52	
Fund balances, end of year			$ 7,609	

Clean, Safe Creeks & Natural Flood Protection				Total (Memorandum Only)			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
$ 26,204	$ 26,204	$ 26,823	$ 619	$ 66,664	$ 66,664	$ 65,954	$ (710)
-	-	-	-	19,519	19,519	19,234	(285)
746	746	471	(275)	8,864	8,864	2,992	(5,872)
19	19	23	4	1,511	1,511	1,421	(90)
-	-	49	49	6,040	2,375	365	(2,010)
-	-	17	17	84	84	1,940	1,856
26,969	26,969	27,383	414	102,682	99,017	91,906	(7,111)
4,090	4,756	4,654	102	86,961	88,406	77,731	10,675
-	-	-	-	7,564	7,564	7,564	-
-	-	-	-	9,281	9,281	9,171	110
4,090	4,756	4,654	102	103,806	105,251	94,466	10,785
18,280	38,486	13,538	24,948	37,768	259,446	151,105	108,341
22,370	43,242	18,192	25,050	141,574	364,697	245,571	119,126
4,599	(16,273)	9,191	25,464	(38,892)	(265,680)	(153,665)	112,015
-	-	-	-	43,647	43,647	41,467	(2,180)
-	-	-	-	1,137	1,137	1,967	830
-	-	-	-	(2,417)	(2,417)	(3,244)	(827)
-	-	-	-	31,244	46,322	24,879	(21,443)
(1,673)	(845)	(1,619)	(774)	(17,029)	(10,013)	(7,150)	2,863
(1,673)	(845)	(1,619)	(774)	56,582	78,676	57,919	(20,757)
$ 2,926	$ (17,118)	7,572	$ 24,690	$ 17,690	$ (187,004)	(95,746)	$ 91,258
		37,182				302,426	
		-				(668)	
		-				2,287	
		(656)				(3,914)	
		5,724				65,033	
		$ 49,822				$ 269,418	

See accompanying notes to required supplementary information.

The District annually adopts a budget in June to be effective July 1 for the ensuing fiscal year. Annual appropriated budgets are adopted for the general fund, special revenue funds, and for all proprietary funds. The capital projects and debt service funds are not budgeted.

Legal budgetary (expenditure) control is established at the fund level, further controlled within the fund at the category level. The categories are defined as the operating budget (operations and maintenance, debt service, and operating projects) and the capital budget (capital improvement projects) in the budget and actual budgetary basis schedules. The amounts stated therein as proposed expenditures become appropriations to the various District organization units. The Board may amend the budget by motion during the fiscal year. The District Chief Executive Officer is authorized to transfer appropriations within budget categories by fund. All unencumbered appropriations for operations and maintenance, operating projects and debt service lapse at fiscal year-end. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated. Unexpended appropriations for capital projects are carried forward until project completion or termination.

The budget process is based upon accounting for certain transactions on a basis other than the Generally Accepted Accounting Principles (GAAP) basis. The results of operations are presented in the budget and actual schedules in accordance with the budgetary basis to provide a meaningful comparison with the budget. The major differences between the budgetary basis and GAAP basis are as follows:

- Certain accruals (primarily accrued vacation and sick leave pay) are excluded from the budgetary basis because such amounts are budgeted on a cash basis.
- Year-end encumbrances are recognized as expenditures on the budgetary basis, while encumbered amounts are not recognized as expenditures on the GAAP basis until incurred.
- Some operating transfers are not budgeted and therefore excluded from the budgetary basis.
- Certain budgeted debt service expenditures in special revenue funds are recorded as operating transfers out on a GAAP basis.
- Intra-district overhead reimbursement on a budgetary basis is reflected as a reimbursement of expenditures on a GAAP basis.
- Prior year operating encumbrances are not included in the budgetary basis schedules.

Reported budget amounts reflect the annual budget as originally adopted and as subsequently amended by the District Board of Directors. The budget amounts are based on estimates of the District's expenditures/expenses and the proposed means of financing them. Actual expenditures for capital items, as in the case of special revenue funds, may vary significantly from budget due to timing of such expenditures.


Santa Clara Valley
Water District

Water Enterprise Fund

Schedule of Revenues, Expenses and Changes in Fund Net Assets
Budget and Actual on a Budgetary Basis

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenses and Changes in
Net Assets - Budget and Actual on a Budgetary Basis
Water Enterprise Fund
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	$ 18,542	$ 18,542	$ 19,548	$ 1,006
Intergovernmental services	5,807	4,494	6,304	1,810
Ground water charges	46,189	46,189	46,144	(45)
Treated water charges	60,493	60,493	61,688	1,195
Surface and reclaimed water charges	854	854	734	(120)
Investment income	5,441	5,441	2,369	(3,072)
Other	626	3,991	8,400	4,409
Total revenues	137,952	140,004	145,187	5,183
Expenditures:				
Current:				
Operations and operating projects	101,703	103,475	97,410	6,065
Debt Service:				
Principal repayment	8,770	8,230	8,230	-
Interest and fiscal charges	5,810	3,650	3,972	(322)
Capital outlay:				
Capital improvement projects	78,690	129,560	95,438	34,122
Total expenditures	194,973	244,915	205,050	39,865
Excess (deficiency) of revenues over (under) expenditures	(57,021)	(104,911)	(59,863)	45,048
Other financing (uses):				
Repayment from advance to other fund	1,279	1,279	2,090	811
Repayment to advance to other funds	-	-	(812)	(812)
Transfers out	(2,526)	(2,526)	(2,680)	(154)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ (58,268)	$ (106,158)	(61,265)	$ 44,893
Net assets, beginning of year			504,506	
Reconciliation of GAAP and budgetary basis:				
Less GAAP basis expenses and other liabilities			2,977	
Less princial payment for advance to other funds			(1,619)	
Less depreciation and amortization expense not budgeted			(9,382)	
Add debt principal and GAAP basis accruals for interest payable			7,937	
Add capitalized expenditures			77,030	
Less prior year budgetary basis expenses			(5,234)	
Add current year budgetary basis encumbrances			27,589	
Net assets, end of year			$ 542,539	

Internal Service Funds

The Internal Service Funds are similar to Enterprise Funds except that services are rendered to other District units rather than to the District's customers. This fund type consists of the Equipment Fund and the Risk Management Fund.

Equipment Fund - to account for the maintenance and operation of the District's vehicle fleet, heavy construction, and information system equipment. Financing is provided through rental charges to operations based upon usage.

Risk Management Fund - to account for the monies set aside to pay for all claims, judgments, and premium costs. Financing is provided through premiums charged to District operations.

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Net Assets
Internal Service Funds
June 30, 2004
(Dollars in Thousands)

	Equipment	Risk Management	Total
ASSETS			
Current assets:			
Cash and investments	$ 6,297	$ 12,949	$ 19,246
Accounts receivable	1	-	1
Inventory	34	-	34
Total current assets	6,332	12,949	19,281
Noncurrent assets:			
Capital assets:			
Depreciable assets	13,528	18	13,546
Accumulated depreciation	(6,975)	(4)	(6,979)
Total noncurrent assets	6,553	14	6,567
Total assets	12,885	12,963	25,848
LIABILITIES			
Current liabilities:			
Accounts payable	163	34	197
Accured liabilities	5	1	6
Claims payable	-	6,822	6,822
Total liabilities	168	6,857	7,025
NET ASSETS			
Investment in capital assets, net of related debt	6,553	14	6,567
Restricted for:			
Encumbrances	365	46	411
Unrestricted, designated for:			
Specified purposes	409	5,980	6,389
Operating contingencies	61	66	127
Capital projects:			
Current authorized projects	3,128	-	3,128
Future capital projects	2,201	-	2,201
Total net assets	$ 12,717	$ 6,106	$ 18,823

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Equipment	Risk Management	Total
Operating revenues:			
Vehicle service charges	$ 3,671	$ -	$ 3,671
Computer equipment use charges	1,457	-	1,457
Self-insurance service charges	-	2,662	2,662
Total operating revenues	5,128	2,662	7,790
Operating expenses:			
Administration and general	-	3,962	3,962
Equipment maintenance	4,576	-	4,576
Insurance	-	5,435	5,435
Depreciation and amortization	1,020	1	1,021
Total operating expenses	5,596	9,398	14,994
Operating (loss)	(468)	(6,736)	(7,204)
Nonoperating revenues:			
Investment income	78	174	252
Gain on sale of capital assets	4	-	4
Other	18	-	18
Total nonoperating revenues	100	174	274
Income before transfers:	(368)	(6,562)	(6,930)
Transfers in	612	-	612
Transfers out	(16)	(10)	(26)
Change in net assets	228	(6,572)	(6,344)
Net assets, beginning of year	12,489	12,678	25,167
Net assets, end of year	$ 12,717	$ 6,106	$ 18,823

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Equipment	Risk Management	Total
Cash flows from operating activities:			
Receipts from customers and users	$ 5,151	$ 2,688	$ 7,839
Payments to suppliers	(2,917)	(3,474)	(6,391)
Payments to employees	(1,716)	(1,293)	(3,009)
Net cash provided (used) by operating activities	518	(2,079)	(1,561)
Cash flows from noncapital financing activities:			
Other receipts	-	-	-
Transfers (to) from other funds	596	(10)	586
Net cash provided by noncapital financing activities	596	(10)	586
Cash flows from capital and related financing activities:			
Proceeds from sale of fixed assets	4	-	4
Acquisition and construction of fixed assets	(1,014)	(2)	(1,016)
Net cash (used) by capital and related financing activities	(1,010)	(2)	(1,012)
Cash flows from investing activities:			
Interest received on cash and investments	78	174	252
Net cash provided by investing activities	78	174	252
Net increase (decrease) in cash and cash equivalents	182	(1,917)	(1,735)
Cash and cash equivalents, beginning of year	6,115	14,866	20,981
Cash and cash equivalents, end of year	$ 6,297	$ 12,949	$ 19,246
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	$ (468)	$ (6,736)	$ (7,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	1,020	1	1,021
Other receipts	18	-	18
Change in operating assets and liabilities:			
(Increase) in accounts receivable	5	26	31
(Increase) in inventory	(2)	-	(2)
Increase (decrease) in accounts payable	(45)	5	(40)
Increase in accrued liabilities	(10)	(3)	(13)
Increase in claims payable	-	4,628	4,628
Net cash provided (used) by operating activities	$ 518	$ (2,079)	$ (1,561)

SANTA CLARA VALLEY WATER DISTRICT

Schedule of Revenues, Expenses and Changes in
Fund Net Assets - Budget and Actual on a Budgetary Basis
Internal Service Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Equipment			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment income	$ 159	$ 159	$ 78	$ (81)
Vehicle service charges	2,455	2,455	3,671	1,216
Computer equipment use charges	2,831	2,831	1,457	(1,374)
Gain on sale of fixed assets	75	75	4	(71)
Self-insurance service charges	-	-	-	-
Other	-	-	18	18
Total revenues	5,520	5,520	5,228	(292)
Expenditures:				
Current:				
Operations and operating projects	4,735	4,735	4,189	546
Capital equipment acquisition	1,242	4,999	1,870	3,129
Total expenditures	5,977	9,734	6,059	3,675
Other financing sources:				
Operating transfers in	612	612	612	-
Operating transfers out	-	-	(16)	(16)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	$ 155	$ (3,602)	(235)	$ (3,983)
Net assets, beginning of year			12,489	
Reconciliation of GAAP and budgetary basis:				
Less depreciation and amortization expense not budgeted			(1,020)	
Add capitalized expenditures			1,159	
Less prior year budgetary basis expenses			(15)	
Add current year budgetary basis encumbrances			339	
Net assets, end of year			$ 12,717	

Risk Management				Total			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
$ 331	$ 331	$ 174	$ (157)	$ 490	$ 490	$ 252	$ (238)
-	-	-	-	2,455	2,455	3,671	1,216
-	-	-	-	2,831	2,831	1,457	(1,374)
-	-	-	-	75	75	4	(71)
2,662	2,662	2,662	-	2,662	2,662	2,662	-
-	-	-	-	-	-	18	18
2,993	2,993	2,836	(157)	8,513	8,513	8,064	(449)
5,051	5,051	9,395	(4,344)	9,786	9,786	13,584	(3,798)
-	-	-	-	1,242	4,999	1,870	3,129
5,051	5,051	9,395	(4,344)	11,028	14,785	15,454	(669)
			-	612	612	612	-
-	-	(10)	(10)	-	-	(26)	(26)
$ (2,058)	$ (2,058)	(6,569)	$ 4,177	$ (1,903)	$ (5,660)	(6,804)	$ 194
		12,678				25,167	
		(1)				(1,021)	
		2				1,161	
		(39)				(54)	
		35				374	
		$ 6,106				$ 18,823	

Agency Funds

Agency funds are used to account for assets held by the District in a fiduciary capacity as an agent for individuals, private organizations, other governments and/or other funds.

Deposit Fund - The fund is used to account for the collection and payment of expenditures for funds held in trust for specific restricted purposes.

Santa Clara Valley Urban Runoff Prevention Program - The District, Santa Clara County and 13 cities within the county jointly formed the Santa Clara Valley Nonpoint Source Pollution Control (NPS) Program in 1990, with the District functioning as program manager.

SANTA CLARA VALLEY WATER DISTRICT

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Deposit Fund				
Assets:				
Cash and investments	$ 278	$ 2,951	$ 3,069	$ 160
Due from other governments	234	360	594	-
Total assets	$ 512	$ 3,311	$ 3,663	$ 160
Liabilities:				
Accounts payable	$ 81	$ 425	$ 488	$ 18
Deposits payable	431	410	699	142
Total liabilities	$ 512	$ 835	$ 1,187	$ 160
Nonpoint Source Fund				
Assets:				
Cash and investments	$ 1,997	$ 3,320	$ 4,224	$ 1,093
Total assets	$ 1,997	$ 3,320	$ 4,224	$ 1,093
Liabilities:				
Accounts payable	$ 788	$ 3,611	$ 4,225	$ 174
Deposits payable	1,209	3,320	3,610	919
Total liabilities	$ 1,997	$ 6,931	$ 7,835	$ 1,093
Total Agency Funds				
Assets:				
Cash and investments	$ 2,275	$ 6,271	$ 7,293	$ 1,253
Due from other governments	234	360	594	-
Total assets	$ 2,509	$ 6,631	$ 7,887	$ 1,253
Liabilities:				
Accounts payable	$ 869	$ 4,036	$ 4,713	$ 192
Deposits payable	1,640	3,730	4,309	1,061
Total liabilities	$ 2,509	$ 7,766	$ 9,022	$ 1,253

Capital Assets Used in the Operation of Governmental Funds

Land, improvements to land, buildings, and equipment that are used in operations and that have initial useful lives extending beyond a single reporting period.

SANTA CLARA VALLEY WATER DISTRICT

Capital Assets Used in the Operation of Governmental Funds
Schedule By Source[1]
June 30, 2004
(Dollars in Thousands)

Governmental activities capital assets:		
Land	$	105,976
Buildings		35,996
Structures and improvements		364,503
Equipment		9,629
Construction in process		274,915
Total governmental funds capital assets	$	791,019

Investments in governmental funds capital assets by source:		
General fund	$	75,305
Special revenue funds:		
Watershed & Stream Stewartship		7,735
Lower Peninsula Watershed		123,796
West Valley Watershed		87,662
Guadalupe Watershed		261,053
Coyote Watershed		170,490
Uvas/Llagas Watershed		49,609
Clean Safe Creeks		15,369
Total governmental funds capital assets	$	791,019

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SANTA CLARA VALLEY WATER DISTRICT

Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity[1]

June 30, 2004

(Dollars in Thousands)

Function and Activity	Land	Buildings	Structures and Improvements	Equipment	Construction in Progress	Total
General manager's group						
Chief executive office	$ -	$ -	$ -	$ 408	$ -	$ 408
Public affaris	-	-	-	17	-	17
Chief operating officer						
Chief operating office	-	-	-	2,859	-	2,859
Watershed management division						
Watershed management division	-	-	-	85	-	85
Countywide watershed mgmt.	-	-	-	12	-	12
Lower peninsula/west valley mgnt.	-	-	-	9	-	9
Coyote & uvas/llagas mgmt.	-	-	-	13	-	13
Capital program services division						
Capital program support departments	-	-	-	180	-	180
Water supply management division						
Water supply support departments	-	-	-	51	-	51
Chief administrative officer						
Chief administrative office	-	-	-	219	-	219
Clerk of the board	-	-	-	5	-	5
Business resources division						
Human resources program	-	-	-	60	-	60
Business and finance program	-	-	-	1,499	-	1,499
Information management division						
Information management division	-	-	-	18	-	18
Information mgmt. support departments	-	-	-	1,430	-	1,430
Technical services division						
Technical services division	-	-	-	12	-	12
Technical services support division	-	-	-	899	-	899
Other:						
District-wide property	105,976	35,996	364,503	1,853	274,915	783,243
Total capital assets	$ 105,976	$ 35,996	$ 364,503	$ 9,629	$ 274,915	$ 791,019

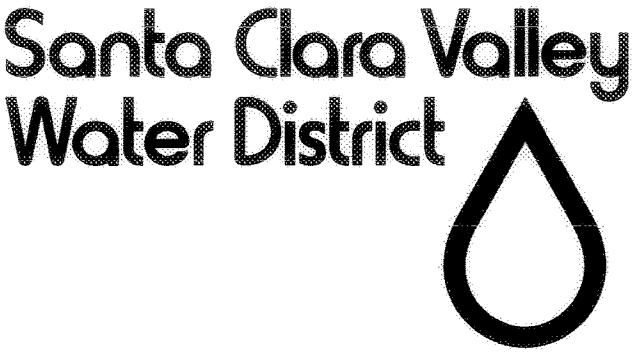
[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

SANTA CLARA VALLEY WATER DISTRICT

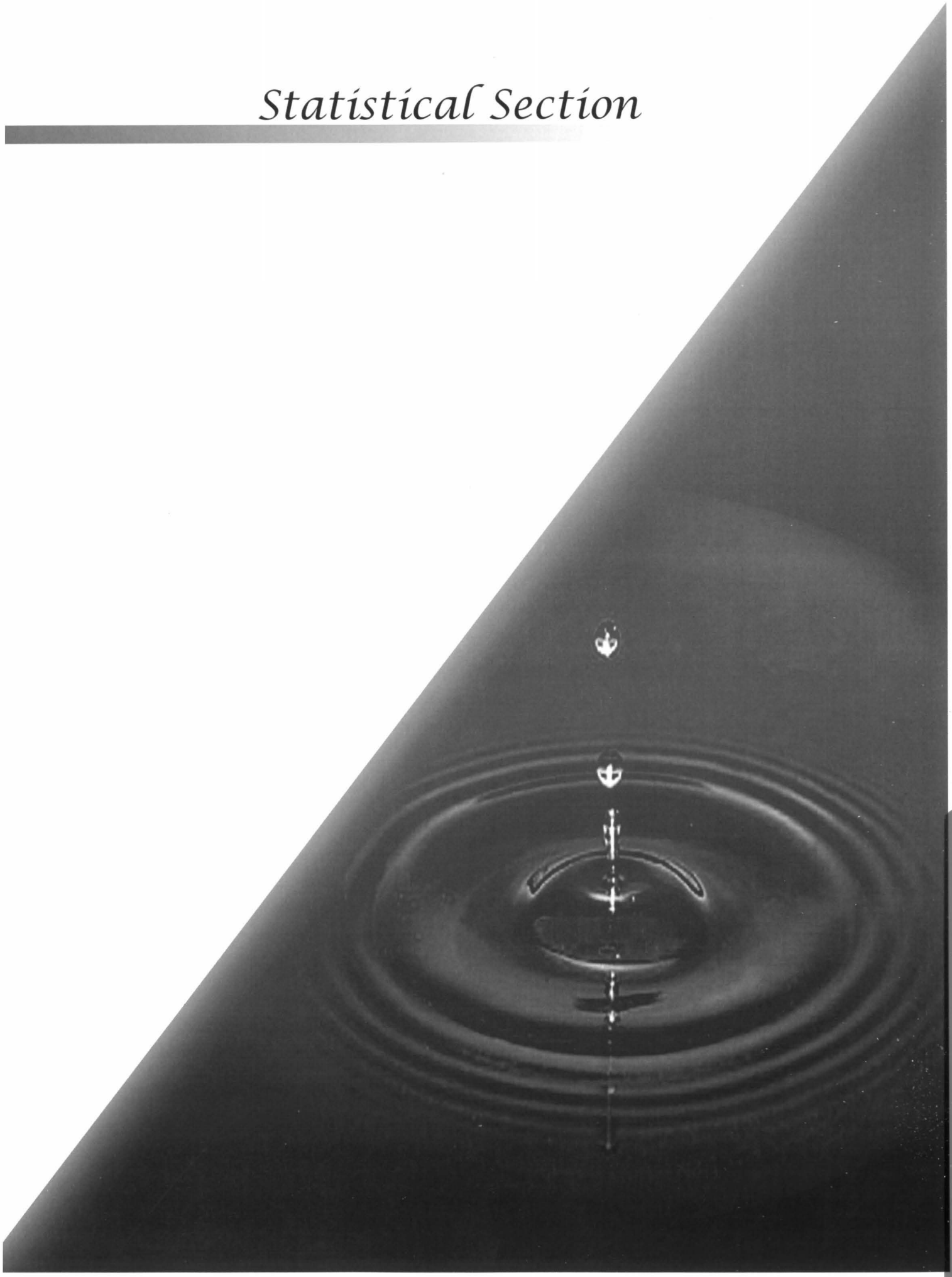
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity[1]
For the Year Ended June 30, 2004
(Dollars in Thousands)

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Additions	Deductions	Governmental Funds Capital Assets June 30, 2004
General manager's group				
Chief executive office	$ 408	$ -	$ -	$ 408
General councel	-	-	-	-
Public affaris	17	-	-	17
Chief operating officer				
Chief operating office	2,859	-	-	2,859
Watershed management division				
Watershed management division	85	-	-	85
Countywide watershed mgmt.	12	-	-	12
Lower Peninsual/west valley mgnt.	9	-	-	9
Guadalupe management	-	-	-	-
Coyote & uvas/llagas mgmt.	13	-	-	13
Capital program services division				
Deputy operating office	-	-	-	-
Capital program support departments	180	-	-	180
Water supply management division				
Water supply management division	-	-	-	-
Water supply support departments	51	-	-	51
Chief administrative officer				
Chief administrative office	219	-	-	219
Clerk of the board	5	-	-	5
Business resources division				
Business resources division	-	-	-	-
Human resources program	60	-	-	60
Business and finance program	795	704	-	1,499
Information management division				
Information management division	18	-	-	18
Information mgmt. support departments	802	628	-	1,430
Technical services division				
Technical services division	12	-	-	12
Technical services support division	305	594	-	899
Other:				
District-wide property	624,827	158,416	-	783,243
	$ 630,677	$ 160,342	$ -	$ 791,019

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.


Santa Clara Valley
Water District

Statistical Section



SANTA CLARA VALLEY WATER DISTRICT

Government-wide Expenses by Function
Last Three Fiscal Years
(Dollars in Thousands)

Fiscal Year	General Government	Watersheds	Interest on Long-term Debt	Water Enterprise	Total
1999/00	$5,112	$24,800	$3,742	$79,262	$112,916
2000/01	9,009	20,874	11,460	81,962	123,305
2001/02	3,906	30,801	12,516	95,643	142,866
2002/03	7,393	32,734	11,847	105,871	157,845
2003/04	15,553	34,033	8,406	104,752	162,744

Note: Government-wide financial statements have been prepared in accordance with the requirements of GASB 34. The District restated fiscal year 1999/00 financial statements for comparative purposes. However, financial statements were not restated for previous years for purposes of providing ten year trend data. In future years, as information becomes available, additional years will be presented.

SANTA CLARA VALLEY WATER DISTRICT

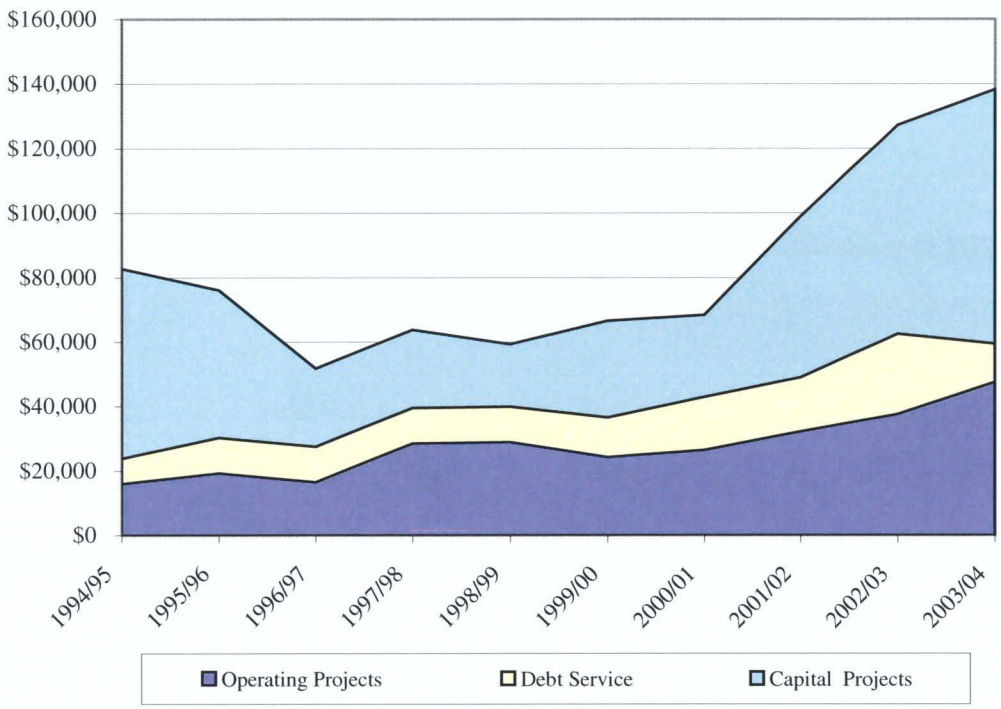
Government-wide Revenues
Last Three Fiscal Years
(Dollars in Thousands)

	Program Revenues			General Revenues				
Fiscal Year	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Unrestricted Investment Earnings	Gain on Sale of Capital Assets	Miscellaneous	Total
1999/00	$81,588	$2,429	$39,619	$43,945	$19,048	$27	$1,339	$187,995
2000/01	88,570	2,310	23,329	47,363	43,356	149	1,906	206,983
2001/02	93,669	1,974	27,935	75,645	34,139	109	9,356	242,827
2002/03	94,551	2,220	30,654	81,134	22,115	182	2,696	233,552
2003/04	108,565	3,412	47,240	85,502	9,870	4	8,366	262,959

Note: Government-wide financial statements have been prepared in accordance with the requirements of GASB 34. The District restated fiscal year 1999/00 financial statements for comparative purposes. However, financial statements were not restated for previous years for purposes of providing ten year trend data. In future years, as information becomes available, additional years will be presented.

SANTA CLARA VALLEY WATER DISTRICT

General Governmental Expenditures by Function
Last Ten Fiscal Years
(Dollars in Thousands)

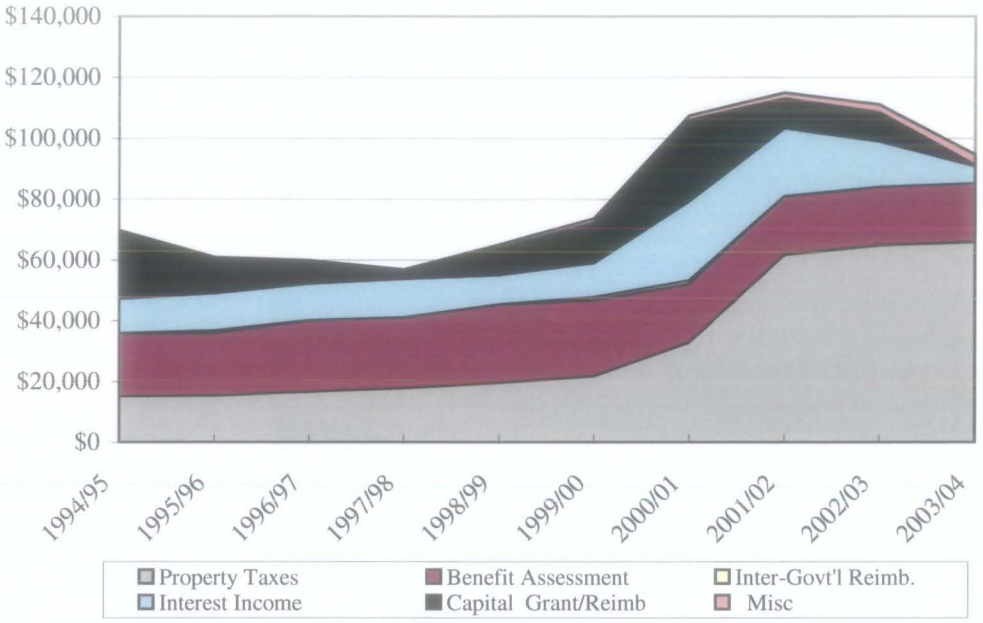


Fiscal Year	Operations & Operating Projects	Debt Service	Capital Projects	Total Expenditures
1994/95	$15,943	$7,886	$58,892	$82,721
1995/96	19,250	11,073	45,784	76,107
1996/97	16,491	11,050	24,199	51,740
1997/98	28,488	11,045	24,263	63,796
1998/99	28,858	11,047	19,403	59,308
1999/00	24,200	12,328	30,028	66,556
2000/01	26,417	16,477	25,424	68,318
2001/02	32,170	16,817	49,937	98,924
2002/03	37,529	24,902	64,831	127,262
2003/04	47,469	11,944	78,835	138,248

Source: *Santa Clara Valley Water District Financial Services & Systems Unit*

SANTA CLARA VALLEY WATER DISTRICT

General Governmental Revenues by Source
Last Ten Fiscal Years
(Dollars in Thousands)

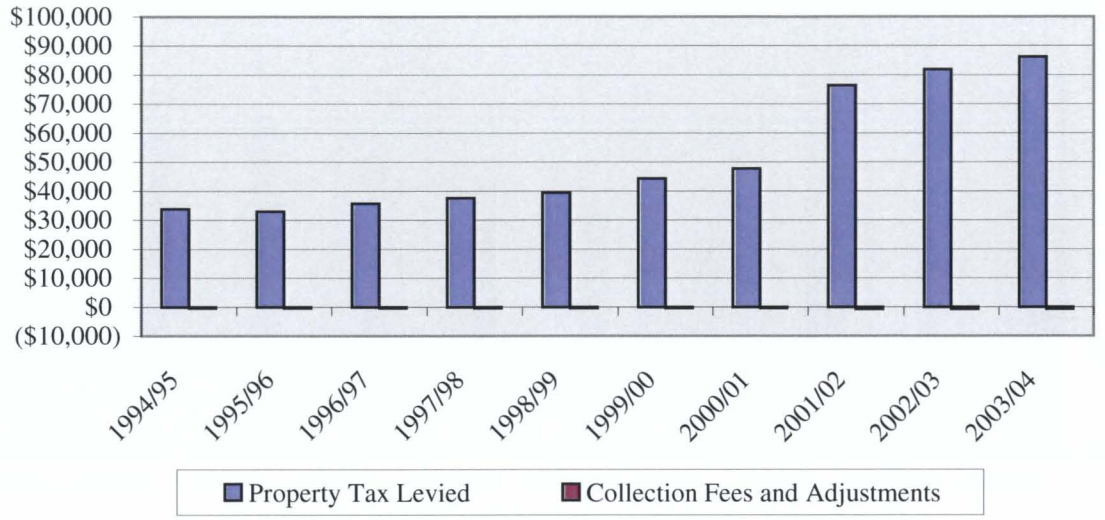


Fiscal Year	Property Taxes	Benefit Assessment	Inter-Govt'l Reimb.	Interest Income	Capital Grant/Reimb	Misc	Total
1994/95	$15,228	$20,632		$11,448	$21,387	$1,067	$69,762
1995/96	15,398	20,515	$826	12,274	10,973	877	60,863
1996/97	16,673	23,341	112	12,068	6,715	975	59,884
1997/98	17,831	23,184	51	12,673	2,152	907	56,798
1998/99	19,591	25,711	82	9,613	8,965	1,068	65,030
1999/00	21,869	24,844	1,023	11,240	13,355	1,332	73,663
2000/01	32,916	19,137	1,226	26,064	26,696	1,404	107,443
2001/02	61,780	19,141	69	22,342	9,775	1,854	114,961
2002/03	64,895	19,161	0	14,942	9,626	2,485	111,109
2003/04	65,954	19,234	0	5,666	365	3,361	94,580

Source: *Santa Clara Valley Water District General Accounting Unit*

SANTA CLARA VALLEY WATER DISTRICT

Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars in Thousands)



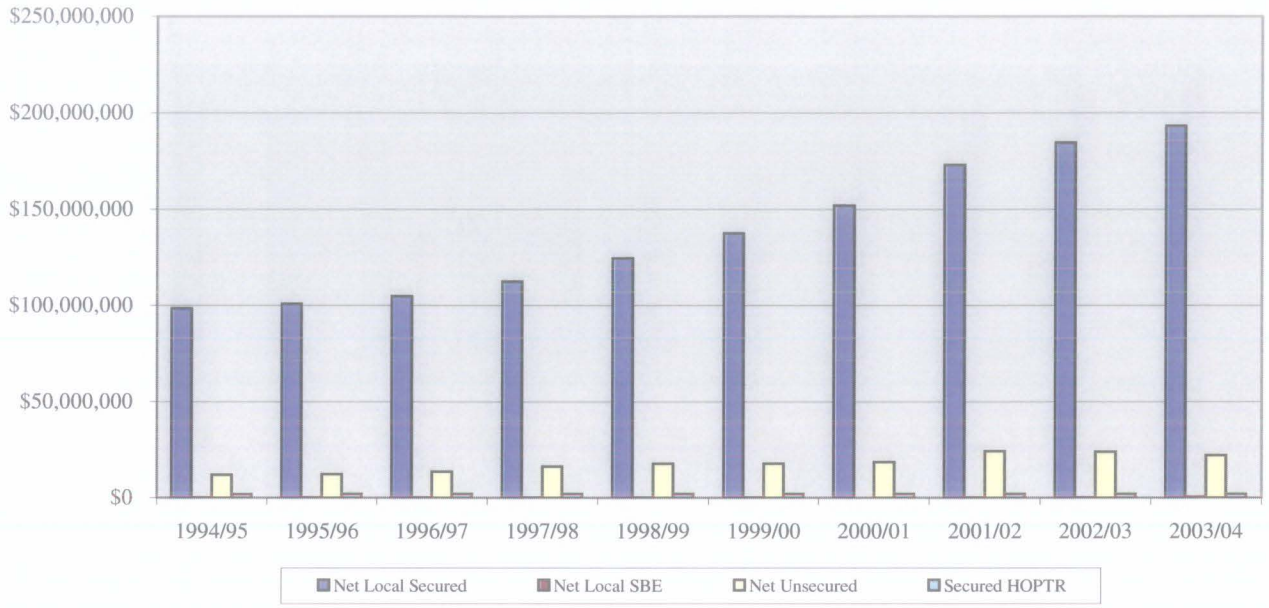
Fiscal Year	Property Tax Levied	Collection Fees and Adjustments	Total Tax Collections	Ratio of Collections to Amount Due	Tax Rate
1994/95	$33,739	($331)	$33,408	99%	1.0989%
1995/96	32,874	(333)	32,541	99%	1.1071%
1996/97	35,615	(414)	35,201	99%	1.1019%
1997/98	37,591	(361)	37,230	99%	1.1406%
1998/99	39,373	(345)	39,028	99%	1.1206%
1999/00	44,287	(342)	43,945	99%	1.1306%
2000/01	47,716	(353)	47,363	99%	1.1432%
2001/02	76,347	(702)	75,645	99%	1.1427%
2002/03	81,846	(712)	81,134	99%	1.1626%
2003/04	86,233	(731)	85,502	99%	1.1647%

Note: The County of Santa Clara remits 100% of the secured property taxes assessed less administration fees. The County of Santa Clara then pursues collection of any delinquencies through the Teeter Plan.

Source: *Santa Clara County Tax Collectors Office*
Santa Clara Valley Water District General Accounting Unit

SANTA CLARA VALLEY WATER DISTRICT

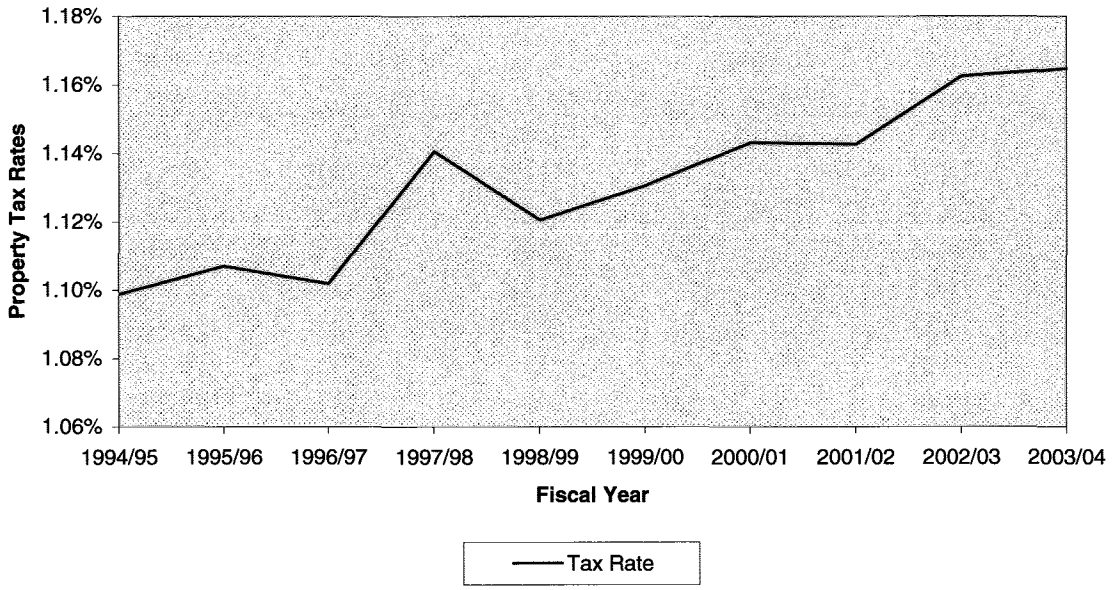
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years
(Dollars in Thousands)



Fiscal Year	Net Local Secured	SBE	Total Secured	Net Unsecured	Total	Exempt Valuation Secured HOPTR	Total
1994/95	$98,560,238	$139,921	$98,700,159	$11,899,863	$110,600,022	$1,902,247	$112,502,269
1995/96	100,915,246	128,150	101,043,396	12,326,717	113,370,113	1,921,599	115,291,712
1996/97	104,876,859	138,046	105,014,905	13,649,636	118,664,541	1,931,511	120,596,052
1997/98	112,459,768	130,203	112,589,971	16,196,939	128,786,910	1,971,741	130,758,651
1998/99	124,589,233	132,575	124,721,808	17,716,803	142,438,611	1,999,968	144,438,579
1999/00	137,489,364	112,382	137,601,746	17,770,942	155,372,688	2,014,996	157,387,684
2000/01	151,925,296	76,022	152,001,318	18,505,086	170,506,404	2,010,724	172,517,128
2001/02	173,034,086	88,467	173,122,553	24,194,609	197,317,162	2,014,905	199,332,067
2002/03	184,590,934	100,806	184,691,740	23,906,620	208,598,360	1,998,229	210,596,589
2003/04	193,189,575	465,989	193,655,564	22,076,991	215,732,555	1,967,624	217,700,179

Source: *County of Santa Clara Department of Finance*

Santa Clara Valley Water District
Property Tax Rates-Direct and Overlapping Governments
Last Ten Fiscal Years



Fiscal Year	Basic County Wide Levy	County	Cities	Santa Clara Valley Water District	Schools and Other Districts	Total Tax Rate
1994/95	1.0000%	0.0332%	0.0000%	0.0115%	0.0542%	1.0989%
1995/96	1.0000%	0.0338%	0.0000%	0.0098%	0.0635%	1.1071%
1996/97	1.0000%	0.0341%	0.0000%	0.0102%	0.0576%	1.1019%
1997/98	1.0000%	0.0388%	0.0000%	0.0098%	0.0920%	1.1406%
1998/99	1.0000%	0.0388%	0.0000%	0.0082%	0.0736%	1.1206%
1999/00	1.0000%	0.0319%	0.0000%	0.0085%	0.0902%	1.1306%
2000/01	1.0000%	0.0356%	0.0000%	0.0075%	0.1001%	1.1432%
2001/02	1.0000%	0.0364%	0.0095%	0.0062%	0.0906%	1.1427%
2002/03	1.0000%	0.0388%	0.0193%	0.0072%	0.0973%	1.1626%
2003/04	1.0000%	0.0388%	0.0129%	0.0087%	0.1043%	1.1647%

Source: *County of Santa Clara, Department of Finance (tax rate area 17-028)*

SANTA CLARA VALLEY WATER DISTRICT

Special Assessment Billings and Collections
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Current Assessment Billings	Prior Year Assessment Billings	Refunds	Collection Fees	Current Assessment Collected	Ratio of Collections To Amount Due
1994/95	$20,859	$8	($26)	($209)	$20,632	99.0%
1995/96	20,832	-	(111)	(206)	20,515	99.0%
1996/97	22,933	613	(52)	(153)	23,341	99.3%
1997/98	23,443	-	(24)	(235)	23,184	99.0%
1998/99	25,984	-	(13)	(260)	25,711	99.0%
1999/00	25,122	-	(27)	(251)	24,844	99.0%
2000/01	19,346	-	(15)	(194)	19,137	99.0%
2001/02	19,399	-	(64)	(194)	19,141	99.0%
2002/03	19,374	-	(16)	(197)	19,161	99.0%
2003/04	19,430	-	(2)	(194)	19,234	99.0%

Note: The County of Santa Clara remits 100 percent of the secured property taxes assessed less administration fees. The County of Santa Clara then pursues collection of any delinquencies through the Teeter Plan.

Source: *Santa Clara County Tax Collectors Office*
Santa Clara Valley Water District General Accounting Unit

SANTA CLARA VALLEY WATER DISTRICT

Computation of District Act Debt Margin
June 30, 2004
(Dollars in Thousands)

Authorized short-term debt under authority of District Act Section 25.6	$8,000
Outstanding short-term debt under Section 25.6, June 30, 2004	0
District Act Section 25.6 debt margin on short-term debt	$8,000

Note: California law authorizes the issuance of debt that is not subject to the Section 25.6 District Act limit and the District has issued commercial paper short term debt in a transaction with the Santa Clara Valley Water District Public Facilities Financing Corporation and others. See Note 7. The Santa Clara Valley Water District's debt issuance practices are governed by the provisions of California law. The Codes do not set a formal debt limit for water districts. However, the short term borrowing authority set in Section 25.6 of the special legislation which formed the Santa Clara Valley Water District (the District Act) provides a limit on short term debt (maturity of less than five years) of $8,000,000 that can be borrowed under authority of that Section. The District is in compliance with its District Act and the other provisions of California law provide additional independent authority for debt.

SANTA CLARA VALLEY WATER DISTRICT

Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Bonded Debt Per Capita
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Population (1)	General Obligation Bonded Debt (2)	General Bonded Debt Per Capita (In Dollars)	Assessed Value (3)	Percentage of General Bonded Debt To Assessed Value
1994/95	1,594,800	$20,979	$13	$112,502,269	0.02%
1995/96	1,620,700	19,460	12	115,291,712	0.02%
1996/97	1,653,100	17,850	11	120,596,052	0.01%
1997/98	1,689,908	16,175	10	130,758,651	0.01%
1998/99	1,715,400	14,425	8	144,438,579	0.01%
1999/00	1,736,700	12,580	7	157,387,684	0.01%
2000/01	1,723,700	10,655	6	172,517,128	0.01%
2001/02	1,719,600	8,645	5	199,332,067	0.00%
2002/03	1,729,917	7,255	4	210,596,589	0.00%
2003/04	1,731,422	5,835	3	217,700,179	0.00%

Source: *(1) State of California Department of Finance*
(2) Santa Clara Valley Water District Treasury Office
(3) Santa Clara County Department of Finance

SANTA CLARA VALLEY WATER DISTRICT

Ratio of Annual Debt Service
Expenditures for General Obligation Bonded Debt to
Total Governmental Fund Type Expenditures
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service *	Total Governmental Fund Type Expenditures **	Ratio of Debt Service to Governmental Expenditures
1994/95	$1,756	$935	$2,691	$82,721	3.25%
1995/96	1,520	871	2,391	76,107	3.14%
1996/97	1,610	805	2,415	51,740	4.67%
1997/98	1,675	736	2,411	63,796	3.78%
1998/99	1,750	664	2,414	59,308	4.07%
1999/00	1,845	588	2,433	66,556	3.66%
2000/01	1,925	508	2,433	68,318	3.56%
2001/02	2,010	430	2,440	98,929	2.47%
2002/03	1,390	353	1,743	127,262	1.37%
2003/04	1,420	291	1,711	138,248	1.24%

Source: Santa Clara Valley Water District General Accounting & Financial Services & Systems Units.

* Includes Enterprise Fund

** Includes General, Special Revenue, Debt Service and Capital Project Funds

SANTA CLARA VALLEY WATER DISTRICT

Revenue Bond Coverage
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Adjusted Revenue	Adjusted Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Factor
				Principal*	Interest	Total	
1994/95	$71,512	$36,806	$34,706	$6,029	$3,089	$9,118	3.8063
1995/96	73,670	45,313	28,357	5,799	2,976	8,775	3.2316
1996/97	81,415	49,225	32,190	6,045	2,735	8,780	3.6663
1997/98	74,186	38,639	35,547	6,230	2,466	8,696	4.0877
1998/99	79,591	56,051	23,540	6,520	2,170	8,690	2.7089
1999/00	90,901	51,303	39,598	6,845	1,847	8,692	4.5557
2000/01	106,699	61,223	45,476	7,190	2,878	10,068	4.5169
2001/02	108,930	74,440	34,490	8,490	4,055	12,545	2.7493
2002/03	105,120	80,190	24,930	8,920	3,610	12,530	1.9896
2003/04	119,581	75,902	43,679	7,025	3,197	10,222	4.2730

Source: (1) *Santa Clara Valley Water District General Accounting Unit*
(2) *Santa Clara Valley Water District Treasury Office*

* Does not include debt service on general obligation debt

In July 1994, the District refunded its outstanding water revenue bonds and restructured its debt convenants under a Master Resolution governing the issuance of all Water Utility System debt obligations. This restructuring of debt convenants included the method of calculating revenue bond coverage.

For fiscal year 2003/04, operating revenue of $111,978 has been increased by $7,603 and operating expense of $99,871 has been decreased by $23,969 as prescribed by the Master Resolution. These adjustments relate primarily to intergovernmental revenues and depreciation and amortization. The complete calculation can be obtained from the Finance Department at 5750 Almaden Expressway, San Jose, CA 95118.

SANTA CLARA VALLEY WATER DISTRICT

Flood Control System
Historical Operating Results
Combined Statement of Revenues and Debt Service Coverage
For the Fiscal Years Ending June 30,
(Dollars in Thousands)

	2004	2003	2002	2001	2000
Flood Control System Revenues:					
Benefit assessment, gross[1]	$ 19,429	$ 19,358	$ 19,335	$ 19,331	$ 25,095
Property tax	25,328	25,201	23,845	21,304	19,229
Intergovernmental services	-	-	-	747	903
Investment income	1,906	8,321	15,517	18,313	7,487
Rental income	1,359	1,045	1,008	869	922
Other	1,781	146	62	85	247
Total Flood Control System Revenue	$ 49,803	$ 54,071	$ 59,767	$ 60,649	$ 53,883
Debt Service:					
1994A Certificates of participation, net[2]	$ 6,353	$ 10,049	$ 10,045	$ 10,034	$ 10,025
2000A Certificates of participation	5,542	5,546	5,547	5,493	-
2003 Certificates of participation	4,355	-	-	-	-
Total Debt Service	$ 16,250	$ 15,595	$ 15,592	$ 15,527	$ 10,025
Coverage:					
Total Flood Control System Revenues over Total Debt Service	3.07	3.47	3.83	3.91	5.38

(1) The benefit assessment presented on the Statement of Revenues, Expenditures and Chagnes in Fund Balances are net of collection fees. For the purpose of the Flood Control System Debt Service Coverage collection fees are excluded. Therefore, the benefit assessments presented above have been increased by $195 in FY 2004, $197 in FY 2003, $194 in FY 2002, $194 in FY 2001 and $251 in FY 2000.

In accordance with voter authorizations, benefit assessments are set at 1.25 of gross debt service allocable to flood control projects starting during fiscal year 2001.

(2) The debt service payment presented on the budgetary basis statements for the 1994A Cerificates of participation includes amounts for the watersheds and the general fund. For the purpose of the Flood Control System Debt Service Coverage the general fund portion of the principal and interest debt payment (7.11%) has been excluded.

Source: Santa Clara Valley Water District General Accounting Unit

SANTA CLARA VALLEY WATER DISTRICT

Computation of Direct and Overlapping Debt
June 30, 2004

2004-04 Assessed Valuation:	$ 217,700,179,106
Redevelopment Incremental Valuation:	26,221,995,661
Adjusted Assessed Valuation:	$ 191,478,183,445

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/30/04
Santa Clara Water District, Zone W-1	100%	$ 5,835,000
Community College Districts	100%	334,405,802
Gilroy Unified School District	100%	50,000,000
Milpitas Unified School District	100%	58,245,000
Morgan Hill Unified School District	100%	72,077,754
Palo Alto Unified School District	100%	120,730,000
Patterson Joint Unified School District	1.264	261,450
San Jose Unified School District	100%	226,209,561
Santa Clara Unified School District	100%	122,490,000
East Side Union High School District	100%	233,274,948
Fremont Union High School District	100%	133,910,000
Other High School Districts	93.50 - 100%	187,433,680
Campbell School District	100%	78,953,307
Cupertino Union School District	100%	122,304,552
Evergreen School District and Community Facilities District No. 92-1	100%	92,029,701
Los Altos School District	100%	92,061,263
Oak Grove School District	100%	68,729,817
Saratoga Union School District	100%	56,739,799
Union School District	100%	62,476,634
Other School Districts	21.67-100%	401,869,694
City of San Jose	100%	178,480,000
City of Saratoga	100%	14,695,000
Saratoga Fire Protection District	100%	5,853,737
North County Library District Special Tax Obligations	100%	2,125,000
Parking Districts	100%	426,000
City Community Facilities Districts	100%	81,080,000
City of San Jose Special Assessment Bonds	100%	43,646,717
Other City 1915 Act Bonds (Estimated)	100%	133,357,128
Santa Clara Valley Water District Benefit Assessment District	**100%**	**197,110,000**
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		**$ 3,176,811,544**

OVERLAPPING GENERAL FUND OBLIGATION DEBT:	% Applicable	Debt 6/30/04
Santa Clara County General Fund Obligations	100%	$ 630,040,000
Santa Clara County Office of Education Certificates of Participation	100%	18,510,000
Foothill-DeAnza Community College District Certificates of Participation	100%	24,385,000
Other Community College District Certificates of Participation	Various	34,005,565
Gilroy Unified School District General Fund Obligations	100%	46,035,000
San Jose Unified School District General Fund Obligations	100%	105,889,371
Santa Clara Unified School District Certificates of Participation	100%	7,575,000
Franklin-McKinley School District Certificates of Participation	100%	17,891,105
Other School District General Fund Obligations	Various	36,202,849
City of Campbell Certificates of Participation	100%	24,155,843
City of Cupertino Certificates of Participation	100%	54,770,000
City of Gilroy Certificates of Participation	100%	45,900,000
City of Mountain View General Fund Obligations	100%	26,440,000
City of San Jose General Fund Obligations	100%	757,731,740
City of Santa Clara General Fund Obligations	100%	70,010,000
City of Sunnyvale General Fund Obligations	100%	34,775,000
Other City General Fund Obligations	100%	33,315,000
Mid-peninsula Regional Park District Certificates of Participation	69.47%	81,156,187
El Camino Hospital District	100%	840,000
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		**$ 2,049,627,660**
Less: Cities of San Jose and Mountain View Certificates of Participation (100% self-supporting from tax increment revenues)		198,320,000
El Camino Hospital Authority		840,000
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		**$ 1,850,467,660**
GROSS COMBINED TOTAL DEBT		**$ 5,226,439,204** *(1)*
NET COMBINED TOTAL DEBT		**$ 5,027,279,204**

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratio to 2003-04 Assessed Valuation:	
Direct Debt ($197,110,000)	0.09%
Total Overlapping Tax and Assessment Debt	1.46%
Ratio to Adjusted Assessed Valuation:	
Gross Combined Total Debt	2.73%
Net Combined Total Debt	2.63%

State School Building Aid Repayable as of 06/30/04 $ 8,787,383

Source: *Prepared for the Santa Clara Valley Water District by California Municipal Statistics, Inc.*

SANTA CLARA VALLEY WATER DISTRICT

Principal Taxpayers of Santa Clara County
June 30, 2004
(Dollars in Thousands)

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
Intel Corporation	$1,397,104	0.64%
Sobrato Development	1,337,625	0.61%
Spieker Properties	1,323,541	0.61%
Pacific Gas & Electric Co.	1,017,862	0.47%
SBC California	826,379	0.38%
Hewlett-Packard Co.	986,789	0.45%
Berg & Berg Developers	923,140	0.42%
Cisco Technology, Inc.	933,885	0.43%
Arrillaga, Perry, et al	803,387	0.37%
Applied Materials, Inc.	807,579	0.37%
Total assessed property valuation, secured net	$10,357,291	4.76%
Total Santa Clara County assessed property valuation	$217,700,179	

Source: *Santa Clara County Tax Collector, Systems Division*

SANTA CLARA VALLEY WATER DISTRICT

Demographics

Established	1929
Service Area	1300 square miles, (15 cities)
Population Served	1.7 million
Facilities:	
Acres of groundwater recharge ponds	393
Miles of canals	17.3
Miles of pipeline	142
Miles of tunnels	8.4
Number of treatment plants	3
Number of pumping stations	3
Number of treated water reservoirs	1
Number of reservoirs	10
Total District reservoir capacity	169,415 acre feet
Public and private water retailers served	14
Water demand per fiscal year:	
District-provided water	305,000 acre feet
County-wide usage	382,000 acre feet
Miles of creeks and rivers managed for flood control	700
Number of employees	810
Average years of service of employees	8

Source: *Santa Clara Valley Water District Public Information Office*

Santa Clara Valley
Water District

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